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SOCIAL RECONSTRUCTION

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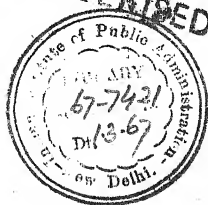
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# SOCIAL RECONSTRUCTION

*by*  
M. ALDERTON PINK

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## PROLOGUE

FOR the second time in my life Europe has plunged into the abyss of war. For a period whose duration we cannot foresee our national energies will be devoted to the purposes of destruction on what may well be an unexampled scale. The social tasks of peace-time are being abandoned or held in abeyance. The hopes of reformers are indefinitely deferred. Many of those whose lives are given to social and political work have already turned aside to take up other duties ; others are asking themselves whether such work is now worth continuing. Why sweep and garnish the house when at any moment it may be destroyed in a general conflagration ?

In this spiritual crisis through which we are now passing my thoughts go back to the similar crisis of the last war, and I try to trace the movement of national feeling during that time. In 1914 the dominant emotion was a rather irresponsible patriotic fervour ; and in the first few months the young were stimulated by the appeal of a great adventure. The sombre realization of what it all meant was to come later when the casualty lists mounted and hopes of a speedy victory were at an end. As the deadly struggle on the Western Front dragged on, the national mood became ever more grim, and hope seemed well-nigh extinguished. Yet what remains most strongly in my mind is the eventual resurgence from despair to hope, from acquiescence in futile destruction to the determination to make victory the means of building anew the fabric of society. In the darkest days before the end, when men might well have been overwhelmed by the burden of

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physical horror and mental suffering, there shone forth a beacon-light of idealism ; and when peace at last came, the work of reconstruction was inspired by the faith that a new era had begun, that the nations would learn to live together in friendly co-operation, and that the meanness and inadequacy of the social organization of our country would be replaced by efficiency and justice.

As I look at these last few lines I realize that I may be suspected of irony, especially by readers who are too young to recall the mood I have described. Actually I am trying to record quite faithfully the spiritual elation—I can call it no less—that developed in the course of the last war.

We entered the war of 1939 in a different spirit. There were few or none of the cruder patriotic outbursts that characterized 1914. There was little positive hatred towards the German nation, though the feeling is growing in the bitterness of conflict. The general attitude seemed to be one of resignation and of rather bored determination to carry through a task we had done our best to avoid. Even the young people, who had only heard about the last war, had no illusions concerning what was happening. But what is important is that from the first there has prevailed a spirit of hope : from all quarters have come expressions of determination to wrest good out of evil, to rear some kind of stable international order, and to establish a greater measure of social justice in our own country. Once more, but far earlier than in the last war, idealism is looking beyond the present insanity to the constructive work of the future. Parliamentary speeches and official pronouncements have already stereotyped the phrase "a new and better world."

By inevitable association my mind reverts to that earlier slogan, "a land fit for heroes to live in," and to the fate that overtook it. The thought is a disturbing one.

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That piece of rhetoric perhaps too glibly summed up the aspirations of war-weary idealists. It was sincerely meant when it was first uttered ; but how soon it degenerated into a butt for cynical mockery ! There must be much searching of heart if we are to prevent the new motto from becoming in like manner the epitaph of a withered optimism. Shall we be able, in the tumult of the war and the confusion of the early years of the peace that follows, to learn the lessons for which we were not ready twenty years ago ? If not, the frustration that overtook the idealism of my generation in its youth will without doubt descend on us again.

Why—I ask myself—was our social achievement so small in the twenty years of peace ? I put aside for the moment the breakdown of our attempt to establish a peaceful international order ; for here we may plead that other nations besides ourselves must bear their share of the responsibility. But why were our efforts to create a happier community within our own borders so feeble and ineffective ?

Superficially our failure was due to faulty thinking. We talked vaguely and hopefully of building anew, but we had never drawn a plan of what we wanted. Faced with post-war economic chaos and later with the great depression, we had nothing better to resort to than piecemeal schemes dictated by expediency. But fundamentally it was a moral failure. We had no set of values to guide us in planning a new society, and we lacked the will to turn aspirations into achievements. If we had really wanted to create a better Britain, and if we had had any moral principles worthy of the name, we should not have left two million or more workers to waste their lives in idleness amid derelict mines, factories, and shipyards ; nor should we have been so easily able to salve our conscience by handing them barely enough money to keep them and their dependants from starvation.

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We told ourselves that nothing more could be done without spending large sums of money, and the expenditure of even a few millions would endanger our whole financial structure. Yet when we decided to rearm we found hundreds of millions of pounds without the slightest difficulty. The means are always there for those who have the will to use them.

I am inclined to think that one of our worst national failings is our proneness to take credit to ourselves for a stolid common sense causing us to greet every scheme showing largeness of imagination with some such acid remark as, "Oh yes, very fine; but of course it can't be done; the country can't afford it; you'll never get the people to agree to it." We forget that every big step forward has seemed difficult at the time, and to the timid and the blind it has appeared simply impracticable; whereas, seen in retrospect, it is just a natural development. But the timid and the blind can delay action long after the way has been made clear.

I recall that at the end of the eighteenth century Tom Paine put forward a plan of social reform going so far as to include free compulsory education, old age pensions, family allowances, and paid work for the unemployed. Of course, at that time, by all except a few radical idealists, such proposals were regarded as visionary. They continued to be regarded as visionary for a century or more. They have lost their Utopian character now, and have indeed in part been accepted. Perhaps in fifty years' time the historian will be able to remark on the interval between the statement of Paine's programme and its complete carrying into effect. We say that a particular thing cannot be done until we really want to do it. And then the difficulties no longer seem insurmountable.

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What has happened in other countries during the last two decades should surely put us on our guard against the premature use of the term "impossible." This is not a time at which one would wish to speak in glowing terms of the dictatorships ; but even the passions of war need not blind us to the fact that the dictators have at any rate been bold in experiment, and in the economic field they have not hesitated to pursue policies that according to the orthodox economists could only end in disaster. The Nazi programme of self-sufficiency, in particular, seemed to most foreign observers fantastic both in aim and in method. Whether it would have eventually broken down if war had not intervened we do not know ; but certainly it lasted considerably longer than it should have done according to expert prediction. No doubt governments that can ride rough-shod over individual wills are in a peculiarly favourable position for carrying out social and economic experiments. But this is not the whole explanation. In the autocracies there have been released certain dynamic forces too powerful to be checked or deflected by ordinary obstacles. The exceptional men who have come to the top as leaders have made themselves the channel through which the energy of the nation has been directed to its goal. The dictators have had supreme confidence in their ability to achieve whatever aims they set themselves ; and they have had the power of infusing the same spirit of confidence into their followers. Their aims and achievements may for the most part be detestable ; but that is beside the point. What I am forced to take note of is that, because they have admitted no limit to their powers, they have achieved the impossible.

Must we accept the depressing conclusion that national self-confidence and the will to overcome difficulties are



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to-day to be looked for only under a dictatorship? I do not think so. Germany, Russia, Italy, and Turkey are big countries, and their recent history has had the quality of spectacular drama. But the smaller democratic States of Europe can provide instances of bold and resourceful policies carried out quietly to the great benefit of the peoples concerned. I turn to Sir Ernest Simon's *The Smaller Democracies* and find accounts of achievements in Denmark and in Sweden. Towards the end of the last century Denmark was faced with the crisis produced by the influx of cheap corn from America and Australia. She met it by resolutely changing over from wheat-growing to the production of bacon, butter, and eggs, and by adopting a highly efficient co-operative system based on scientific research and associated with the remarkable educational innovation of the Folk High Schools. Sweden, in quite recent years, has given us a lesson in the methods of dealing with the cyclical trade depression. The socialist government elected to office in 1932 abandoned financial orthodoxy and embarked on a carefully devised policy of public works and credit expansion of a kind long advocated by certain economists in this country but always rejected by our government as too risky. These achievements of the smaller nations are more impressive than the results of the New Deal in the great democracy of the United States of America. Whereas President Roosevelt's original New Deal legislation consisted of what were essentially emergency measures drafted in haste to meet a critical situation in which any action was better than no action at all, the changes in Denmark and Sweden were deliberately planned and received the general support of the nation.

When, therefore, I compare our record with that of other nations I cannot escape the conclusion that in the

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recent past we have been far too ready to accept the actual as the inevitable. As a nation we are generally credited with a genius for government ; and, I think, justly. In the routine work of legislation and administration our Parliament and Civil Service undoubtedly reach a high standard of efficiency and integrity. What has been lacking has been originality and drive in policy. After 1918, through the dislocation of international trade, we were confronted with a change in our economic situation comparable to that which faced Denmark two generations ago ; yet we made no attempt to bring about a radical readjustment. Having devised a number of palliatives, we went on in the hope that the disease from which our economy was suffering would cure itself. But the hope was vain : the disease was chronic.

And now the energies that might have been directed to the social tasks so long left undone are being wasted in war. We are setting ourselves deliberately to create the conditions which will make it more than ever difficult to carry out those tasks when we can return to them. As I write, there is no rift in the dark clouds that hide the future. What Europe and the world will be like when the struggle is ended no-one can prophesy. Of one thing, however, we can be certain, and that is that the darkness of this war will be succeeded by a blaze of idealism. The spirit of hope and the belief in the eventual triumph of good will remain unquenched by whatever horror and suffering we pass through. Reinforced by the emotional relief when peace is at length restored, faith in the future of humanity will again become an abnormally powerful inspiration to action. Shall we be ready to apply this abundance of spiritual energy to social reconstruction, or shall we once more let it run to waste ? The answer depends on whether we can agree on certain fundamental moral principles and

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can see clearly enough how to translate them into concrete plans. Unless we know what sort of society we want it is useless to begin trying to build it.

Inevitably, when the time comes, much of our thought will be directed to international affairs, for no tolerable life will be possible in the world unless some sort of international order can be guaranteed. The rule of law must be established in a region in which it has hitherto been absent. But we shall have to beware of allowing our preoccupation with these wider issues to deflect our attention from the problem of organizing our daily activity so as to bring the material means of a happy life within the reach of all. We must remember that political arrangements, whether on an international or on a national scale, merely provide the framework within which certain social ideals can be pursued : the framework is useless if the ideals are wanting.

In the long run, the best way of putting the world right will be to display in ourselves an example of a well-governed, prosperous, and essentially peace-loving community in which national resources are used for the greatest benefit of all. After the last war we made the mistake of trying to impose our democratic system on other peoples who were not ready for it, in the belief that if only a nation had a Parliament all things else would be added unto it. We are not likely to repeat that mistake. If we wish to convince the world that democracy is the highest form of government and to persuade other nations to copy our institutions, we had better set about showing what democratic government can achieve in terms of human welfare in our own country.

And so, as one who is not likely to be directly engaged in the present physical conflict, I can perhaps do some service by thinking afresh about the abiding problem that

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will acquire added urgency when peace returns. Amid the destruction and dislocation left by the war the immediate task will be to rebuild the material fabric and restore the severed human relationships on which our civilization depends. When so much is to be done and reconstruction must be so drastic, we shall perhaps be readier to consider fundamental principles and ultimate aims. Let me, then, devote what hours can be wrested from the tumult and confusion of the coming time to examining basic principles and practical aims, and so to exploring the foundations of the "new and better world" to which we are already looking forward.

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# SOCIAL RECONSTRUCTION

## CHAPTER I

### PLANS AND PROPHETS

#### *The Limitations of the Political Creeds*

NOBODY questions that economic reorganization must be a major factor in the creation of a better social system ; yet after years of controversy we are still without an adequate conception of what our aims should be and without a definite plan of action. By a plan I do not mean a formal scheme worked out in full detail, but a broad outline of what we intend to do. Social advance must necessarily proceed partly by experiment ; details must be worked out in practice ; and even considerable modifications of a scheme must be accepted as the result of experience. But a concrete programme is necessary, both as a guide to procedure and as a political manifesto.

There is in existence, of course, a variety of alleged solutions of the social problem of which it would seem that we have only to make our choice. In this preliminary chapter, however, I want to stress the point that there exists in fact no programme setting out a clear idea of a new form of society and of the economic measures that will contribute to its establishment. The familiar plans are either political creeds that leave economic policy vague or revolutionary programmes based indeed on economic theory but including no precise account of the shape of the new society that it

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is proposed to bring into being. There is thus no ready-made scheme to which we can turn to save ourselves the trouble of thought ; nor can we put our trust in a nice little revolution that will set all to rights.

The delusive programme of a "planned economy," which recently aroused a good deal of enthusiasm, is an extreme example of our failure to grapple with essentials. The term "planned economy," merely begs the question. What sort of plan have the advocates of the scheme in mind ? The Nazi regimentation of German economic life in preparation for war was very definitely a planned economy. Presumably we do not want anything like this. Economic planning cannot be carried out without reference to specific social ideals ; it must be guided by principles derived from the moral world ; which implies also that it must have a political setting.

But if an economic plan demands a political setting, can we not find what we want in one or other of the contemporary political creeds ? Many people imagine that if only we could change over from a system bearing the label "democracy" to one bearing the label "socialism," or "communism," or "fascism," or if only we could make the democratic system work more efficiently, all our troubles would disappear. This, however, is a mistake. The creeds to which these names belong provide no clear picture of a new form of society and the essential means of achieving it. In this respect communism, as I shall show in a moment, is, in spite of its claims, as vague as the other political programmes.

English people hardly need to be reminded that the term "democracy" has to do with political rather than economic ideas, and even as a political term it is not very precise. In a general way it suggests ideas of liberty,

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equality, and representative government ; but such democracies as Great Britain, Switzerland, and the United States (particularly the pre-New Deal United States) exhibit very different social ideals and ways of life. And if we ask what economic principles are upheld by the democratic State, it is very difficult to answer. Until recently, at any rate, the attitude of the democratic State to the material welfare of its citizens has been on the whole negative. English democratic institutions, in fact, underwent their greatest development during the period when *laissez-faire* was the order of the day. The theory was that the national welfare would be best promoted if government interfered as little as possible with commercial and industrial affairs and left the shape of society to be determined by the play of individual effort. Political control should be exerted only when absolutely necessary. This policy, of course, survived almost intact in the United States until it was destroyed by the great depression. In our own country the attitude of the State towards economic organization has changed considerably since the last century. The function of government has ceased to be merely to secure the conditions under which individualist enterprise can be carried on ; it has come more and more to be the active promotion of the general welfare by regulating economic conditions. But it is important to notice that the present-day conception of the part which government should play in supervising economic life is not essential to the traditional idea of democracy : it would hardly indeed have been understood by the founders of democratic institutions. Nor is it necessarily final. There is every reason to suppose that the kind of economic interference that used to be denounced as "grandmotherly legislation" and is still accepted with reluctance in some quarters will become typical and be



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received with general approval. Meanwhile we cannot say that the democratic State stands for any precise type of economic structure, nor can we predict what sort of measure a democratic government will take to deal with particular problems of business and industry.

Has fascism in any of its forms provided a ready-made plan of economic reconstruction? Even if it had, there are now few people in this country who would be prepared to give it serious consideration. The tree is known by its fruits; and we have come to regard fascism as nothing more than the façade of tyranny established in nations that are politically invertebrate. But events leading to the collapse of France in 1940 revealed that the fascist idea has its attraction even in countries where the tradition of freedom is strong. And we have had our Sir Oswald Mosley. It is not, therefore, waste of time to emphasize that fascism has no positive programme: it is merely an hysterical denial of all the values inherent in Western civilization. It is a commonplace that when Mussolini gained power in Italy he had no clear plan of action; his followers were encouraged to rely on his intuitive grasp of the needs of the immediate situation. The mystical political theory later associated with his movement was developed as a justification after the fact. The organization of trade and industry in Corporations, which is sometimes represented as a peculiarly fascist conception, was not thought of until some years after the régime was established. In any case, the Corporative State is only a piece of economic machinery; those who run it determine the purposes it is to serve in the lives of the working population, and in Italy those purposes have been subordinated to the will of a military dictatorship. That the corporative machinery is not essential to a fascist State is shown by its absence in

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Nazi Germany. Hitler came to power with a published programme promising everything to everybody. His scheme was so inconsistent with itself that it could obviously never have been put into operation as a whole. In fact, of course, National Socialist policy turned out to be merely another name for Hitler's will: the necessary practical organization was improvised as required. Fascism, whether in its Italian or in its German form, is not a blue-print of social welfare: it is militarism applied to generating an immense amount of national energy to be used as the leader decides.

But whereas most people in this country are prepared to dismiss fascism as the shoddiest and most objectionable of political expedients, many are ready to believe that communism, with its parade of inexorable logic, has something more solid to offer. It is a fact, however—which, though familiar to students of the subject, is too often overlooked by those in search of political salvation—that the teaching of Marx is essentially concerned with the technique of revolution and the acquisition of power by the proletariat: it has little or nothing concrete to say about what is to happen after that goal is reached. Marx set out to show by what means the working-class could set free the disruptive forces inherent in capitalism and so assist the process of "historic necessity" culminating in the complete overthrow of the old order. It was to this preparatory phase that his thought and writing were mainly devoted. As to the concrete problems of social organization to be solved after the dictatorship of the proletariat had been established he had nothing but vague generalities to offer. The new communist society, he says, is to be "classless." If this means that all citizens are to be assimilated to a single pattern, we have to observe that the factor of quality is

omitted: a mutinous ship's crew has been known to establish a classless society of pirates. If it means, as the Webbs maintain, merely that there will be no longer a division of society into "exploiters" and "exploited," again it tells us nothing about the essential character of the new society: it only makes the redundant assertion that the economic revolution will have been completed. The fact that there can be doubt about the interpretation of the term "classless society" sufficiently indicates the vagueness of the conception. Marx's other generality about the nature of the post-revolutionary society was contained in the slogan, "From each according to his ability; to each according to his needs"; which may be calculated to arouse moral enthusiasm, but which affords little practical guidance until we have defined needs.<sup>1</sup>

In so far as Marx had thought about the practical problems that would arise after the revolution had been accomplished it seems that his ideas were purely utopian. He expected from the abolition of capitalism a wholesale change in human nature. Since modes of thinking and acting are determined by the economic processes in which they are involved, it follows, according to him, that a revolution in the economic order will automatically bring about a change in moral outlook and conduct. Whether such a consummation of successful revolution would actually be achieved we need not stop to inquire. The

<sup>1</sup> Even the technical working of the economic plan was left vague. Cp. Prof. Lionel Robbins, *Economic Planning and International Order* (Macmillan), 1937, pp. 188-89: "Although the main presumption of complete international communism—central ownership of the means of production, distribution, and exchange—has been the subject of ceaseless propaganda for nearly a hundred years, very few attempts have been made to show how such a plan would work. . . . It is a startling fact that in the whole range of socialist literature, constituting a library of very many thousands of items, until a few years ago there was no systematic discussion of the most elementary economic problems confronting a society which was completely socialist."

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point is that Marx was content with the misty view of his ideal State as seen through the clouds of apocalyptic splendour.

But, communist objectors may say, the theories of Marx were carried to a further stage by Lenin. Whereas Marx was a visionary, whose aims beyond the achievement of power were vague, Lenin was realistic and practical. Lenin was indeed willing to jettison theory when necessary, though continuing to pay lip-service to it; and, as the leader of the Bolsheviks in the early days of their rule, he was concerned, as Marx was not, with the practical shape of a resuscitated State. But even he, as late as 1918, confessed that he had formed no detailed picture of the new socialist community.<sup>1</sup> Faced with the task of organizing the new Soviet Union, he had to adapt his principles to the peculiar requirements of the Russian situation. His sudden change over in 1921 from a strictly communist economy to a policy permitting private enterprise and leading to the development of free exchanges and the growth of small businesses throughout the country was clearly dictated by expediency. What Lenin might have achieved if he had lived it is difficult to say; what is certain is that his achievement would have been moulded by circumstances rather than by the vague and imperfect plans he had formed before the revolution.

There was a time when the enthusiasts for "the Russian experiment" invited us to study the Soviet Union as the working model of communism in action. Here, we were told, is what the new social ideals mean in practice. By now, however, few people would be willing to judge of the nature of a communist society by what is happening

<sup>1</sup> See extract from stenographic report of the Seventeenth Congress of the Russian Communist Party, Fifth Session, March 8, 1918, quoted by Max Eastman: *Marx, Lenin, and the Science of Revolution* (Allen and Unwin, 1926), pp. 213-14.

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in Russia. Under the Stalin régime essential elements in the Marxist design have been either eliminated or so modified as to be unrecognizable. The basic principle of the communal ownership of the means of production is indeed maintained. But a form of private ownership of land has been created by granting land "in perpetuity" to the corporations running the collective farms; a certain amount of private property, including land, is permitted to individuals by law; accumulation of wealth is encouraged by the Government Savings Bank and the State Bank, both of which offer very high rates of interest; and the inheritance of personal property has been legalized. The principle "From each according to his ability; to each according to his needs" appears in the New Constitution of 1936, with the final word changed to "work." Payment by results has been introduced into the factories, so that skilful and energetic workers earn many times the wages of others. Technicians and other persons of special ability are paid very high salaries. In fact, it is calculated that the differences between the highest and the lowest earned incomes in the U.S.S.R. are certainly as great as in Britain, if not in the United States.<sup>1</sup> In view of this inequality of incomes it is difficult to see (especially on Marxist principles) how a classless society can be maintained. Actually, as Trotsky pointed out, a new aristocracy of bureaucrats has come into existence. It is hardly necessary to say that the Marxist prediction that in a communist society the State would eventually "wither away" shows little sign of fulfilment. Finally, as the clouds

<sup>1</sup> See Max Eastman, *The End of Socialism in Russia* (Secker and Warburg, 1937), also Sidney and Beatrice Webb, *Soviet Communism: A New Civilisation* (Longmans), 2nd edition, 1937, p. 1207. It is true that all incomes in Russia must be derived from work, but that does not affect the point immediately under discussion.

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of war gathered on the European horizon, the Stalin government virtually set aside the world aims of communism and embarked on a policy of nationalism. Patriotism was encouraged, and defence of the fatherland became the citizen's first duty.

We see, therefore, that the U.S.S.R. under Stalin, though an epoch-making experiment in political and economic organization, is far from being a concrete embodiment of Marxist theory. The Soviet Union, from the first a compromise between communism and the necessities of the situation, has developed in unforeseen directions under the pressure of circumstances and the guidance of the dictatorship; and it has long been moving away from, rather than towards, the theoretical positions of its revolutionary founders. It would seem, indeed, that this very readiness of the Russian leaders to discard theory and adapt policy to changing conditions has been an important factor in their immense economic and social achievement of recent years.

Taking the Soviet Union as it is, can we say that it offers us a new and satisfying social ideal? Politically, it is still an authoritarian State. In Professor Laski's words, "There is little democracy and less liberty in the Soviet régime; it is in essence . . . the dictatorship of a bureaucracy."<sup>1</sup> Economic plans have hitherto been directed to the essential task of abolishing poverty. What of the future, when this task has been achieved? Since Marxism remains the basis of education and political propaganda, it follows that the central ideal can be nothing but material progress—the raising of material satisfactions to the *n*th power; for Marxism rejects spiritual values and denies the reality of anything beyond the world of sense. But material

<sup>1</sup> In a review of E. Strauss's *Soviet Russia* in *The New Statesman*, Nov. 1, 1941.

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progress is equally the aim of capitalist enterprise. Both systems, in their diverse ways, are engaged in creating the setting for Economic Man. Our own economic purpose is vitiated by its divorce from the ethical principles we profess ; the Soviet aim suffers from the fatal limitation of the political philosophy from which it derives.

### *Science and Society*

Current political creeds do not provide us with a ready prepared pattern of a new society. In their impatience of political dogma and party programmes many social reformers of our time have sought the key to human welfare in science. Foremost among these is, of course, H. G. Wells, who has never tired of assuring us that if only we would make intelligent use of the work of the scientists all our problems would be solved. This view is shared by some of our leading scientific specialists. In Russia the cult of science as the handmaid of social progress has become even more important than in the Western nations. In their enthusiasm for scientific research the Russians have covered their country with museums, laboratories, and research institutes, and thousands of workers are engaged in collecting facts about the material universe and making mass attacks on the technical problems confronting the economic planners. In the U.S.S.R., in fact, science has become something more than an instrument of economic progress ; it provides a pseudo-religious quest. " Soviet Communism has bestowed on science all the authority of which it deprived religion ; science is the new dogma." <sup>1</sup>

In face of this attitude it is necessary to insist on the

<sup>1</sup> Edouard Herriot, *Eastward from Paris* (1934), p. 125 (quoted by the Webbs, *Soviet Communism* (1937), p. 248).

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limitations of the men of science as social leaders. Scientists and technicians are concerned with means, not with ends. The machines and processes they invent are used for purposes determined by politicians, industrial magnates, and others who are outside the realm of science. Science itself is neutral as regards ends : men can use it, according to their desires, for good or ill. The physical scientists have, however, acquired such prestige by their marvellous achievements in their own field that we easily forget that, when they leave their laboratories to take part in public affairs, they are entering a sphere in which they have no special competence.

But, I shall be reminded, there are the social scientists. To whom should we look for guidance in the management of our national resources and human energy if not to the economist, whose profession it is to study the mechanism for creating and distributing wealth ? It would be unfair, perhaps, to ask him for a cut-and-dried political programme, but at least he ought to be able to lay down the governing principles of the better economic order we desire. Yet if we seek guidance in this quarter concerning the aims we should pursue, the typical economist will, rather strangely, tell us that we have come to the wrong department. He is the "pure scientist," and he modestly remains within the confines of his special intellectual field. His business, he will tell you, is to investigate the economic system as it is : he is not concerned, as an economist, with what it ought to be. He deals with means ; if we want to discuss ends, we must go to the ethical philosopher.

We may usefully pause a moment to inquire what justification the present-day economist has for adopting the aloofness of the pure scientist. He may rightly claim the status of pure scientist when he is examining particular



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problems of a quantitative nature ; but he can hardly do so when he is elaborating a general theory, for the facts he is examining are unstable and always liable to interference by the human will. The classical economists assumed in their theories the dominance of the acquisitive motive in conditions of perfect competition, and from this assumption they were able to proceed to conclusions having logical validity. But even in the hey-day of nineteenth-century individualism the assumption was not warranted by the facts. The Victorian industrialists were not always animated by a pure desire for gain ; nor was the competitive system entirely undisturbed by State interference. Since then we have witnessed the growth of monopolistic enterprise, trade-union activity, and industrial legislation of all kinds ; in a large part of our economy it is normal for the element of competition to be either entirely eliminated or severely restricted. The self-acting mechanism that was supposed to adjust rent, wages, profits, interest, and prices now functions very imperfectly. Thus it becomes less and less possible to explain the economic process in terms of impersonal " laws," and more and more necessary to consider it as the expression of human will. The broad study of the system of mixed private and public enterprise typical of the modern so-called capitalist State can never lead to any more reliable conclusions than probabilities : scientific certainty is impossible. And what of the position of the economist in that large part of the world in which competitive conditions have been wholly or in great measure replaced by State control ? In a controlled system there can obviously be no economic laws analogous to the laws of physical science. If it is asked why, in such a system, this industry grows and that declines, why wages in a particular trade reach this figure and profits that figure, why there is a de-

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mand for labour in one place and a shortage of material in another, the final answer is to be found in the decisions made by the head of the State. In a fully planned economy, in fact, economics is reduced to the position of a merely descriptive science. The economist may scrutinize the working of the institutions supplying goods and services and criticize the methods employed; he may suggest improved ways of achieving the results desired by the planning authorities; and he may work at the various statistical and other technical problems that arise. But he does not need to search for the general principles explaining the working of the system: those principles are supplied and, when necessary, changed by authority.

It seems merely futile, therefore, for the modern economist to evade ethical considerations and take refuge in the lofty detachment characteristic of the physical scientist who observes brute facts and faithfully follows where they lead. If he takes up this attitude his guidance in practical affairs must be limited to the solution of detached problems lending themselves to quantitative analysis. To the social reformer he will have little or nothing to say. It is this irrelevance and ineffectiveness in the work of the economists that is the burden of *Lament for Economics*, in which Mrs. Barbara Wootton, herself a professional economist, takes stock of the studies which occupy her as a teacher and research worker. In her suggestions for reform she frankly abandons the attempt to separate economics from ethics: she wants those who pursue economic studies to attack the problems that most immediately concern human welfare, and to consider them always in relation to an ideal of social progress. The precept is admirable; but there is a difficulty in practice, at any rate so far as university work is concerned. The ideal of social progress to which the work

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is to be related must be expressed in certain moral and political principles before it can be of service, and this implies a definiteness of attitude which is not encouraged in academic circles.

On this matter of the scope and purpose of economic science we cannot neglect the opinion of the late Lord Stamp, who added studies in ethics and religion to his authoritative writings on economic subjects. In his view, whether economics should confine itself to the discussion of means or enlarge its scope to consider ends and values is a question of convenience. Economists are concerned with the exchange of goods and services, and much of their study has to do with technical and almost mechanical matters—"matters which are no more moral than a locomotive or an equation." They examine, for instance, "the rate at which men are fatigued or tired of work ; the rate at which their wants can be satisfied or satiated ; the effects of transfers of work and wants upon capacity ; the rate at which a mine can be worked ; the rate, amount, and place of the growth of wheat." Alongside of these non-moral questions, however, lies the ethical problem, What *ought* we to do in given circumstances ? This must be taken account of when we translate the economists' solutions into practice. Ought the technical inquiry and the ethical discussion to form one area of study labelled "economic" ? "Most economists," Lord Stamp replies, "find enough work to do in taking aims for granted, and working upon the remaining factors, unconfused by values and valuations, just as an engineer does not much want to ponder on the direction in which his bridge leads, and the people who will use it." He admits that the narrowly economic question and the ethical question are so closely related that at some point they must be combined. This task is one of

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peculiar difficulty and should not be attempted by anyone who is skilled on the one side and ignorant on the other. He suggests that, if we treated what might be called "economic-ethics" as a separate subject, we might obtain more fruitful results.<sup>1</sup>

The upshot is that in seeking a plan for social reconstruction we shall not find our thinking already done for us by those who are often set up as authorities. The economist, *qua* economist, is as barren as the exponents of political revolution. Must we wait, before acting, until Lord Stamp's projected science of economic-ethics comes to fruition ?

### *A New Vision*

The truth is that for proclaiming the moral principles on which we are to build a new social order we need not a scientist but a prophet. And where is he to be found ? None has arisen since Victorian times. The nineteenth century was the Dark Age of industrialism ; yet it produced moralists who did not fear to raise aloft the torch of illumination. Marx himself was essentially a prophet denouncing the wickedness of the times, though the source of his inspiration was tainted, and to many his light is darkness. But while Marx was seeking to submerge ethics in his scientific theory of the class struggle, Ruskin was attempting that very synthesis of economics and ethics that Lord Stamp desired. Much of Ruskin's teaching has, of course, passed into the common thought of our time, but much still remains to be learned. The economists and business men of his day were able to treat him with impatient superiority because they misunderstood (and, it must

<sup>1</sup> Lord Stamp, *Christianity and Economics* (Macmillan, 1939), pp. 163-65.

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be said, he somewhat misrepresented) what he was trying to do. He claimed to be using logical analysis to expose the falsity of current economic theory, and to be laying the foundations of a new science. Because he never completed a coherent scientific structure it was easy to dismiss him as a crank and neglect his message. In his attack on the classical economists what he was really doing was not to demonstrate the illogicality and scientific inadequacy of Ricardo and the rest but to protest with all his power against the conception of society which the theories of the competitive economy implied. Whether those theories gave anything like a satisfactory explanation of the industrial and commercial world of his time did not matter; they were utterly meaningless in relation to the sort of world his soul desired. The bleak abstractions concerning "economic man" were a complete denial of his ideal of a community of "full-breathed, bright-eyed and happy-hearted human creatures" living in a noble environment. He was a seer rather than an economist, and it is as such that he still commands attention. He had his limitations even as a prophet: his preaching was not always equally inspired, and his doctrines were marred by inconsistency resulting from a delusive romanticism. But his teaching was essentially sound; and if the seed fell on stony ground, it was because those to whom he preached saw that the very foundations of Victorian commercialism were threatened.

The work of Ruskin was in some measure continued in the next generation by J. A. Hobson, whose lifelong aim it was to cement the connection of economics with ethical principles—to test the working of the industrial system by reference to standards of human welfare. But whereas in Ruskin the moralist dominated the scientist, in Hobson the scientist kept the moralist well in hand. Hobson exhibited

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the rationalism and the exaggerated respect for scientific processes of thought characteristic of his time. He consequently distrusted moral intuitions and admitted them only when intellectual analysis would carry him no further. In him the eloquence of the preacher was muted ; his message was delivered in the dry tones of the exact thinker. As a man of science, anxious to cover all the facts of the situation, he insisted that economic theory must take account of human desires and emotions ; but always he was the man of science, and his ethical intuitions were given to the world in the disguise of pure rationality. Such closely reasoned writing as his, aiming at moral ends but eschewing the power of emotional statement, was bound to fail of its full purpose. It irritated the academic economists, who sought to keep their science pure and unspotted from the world of morals ; and it did not touch the feelings of the wider public who were open to such an appeal as that of Ruskin.

For the most part twentieth-century architects of a new social order have given far less attention than Hobson to the ethical problem. They have, in particular, been careful to exclude from their plans the necessity for a moral revolution ; for the scientific thinking characteristic of our age avoids dealing with the imponderables, and moreover a moral revolution is admittedly so difficult to bring about that any scheme depending on it is apt to be treated by practical people as moonshine. Students of public affairs—myself among them—have in fact shirked the moral issue, and have talked as though the millennium could be brought about by intelligent organization. We were so impressed by all that was obviously right in the Wellsian view of progress that we were prepared to gloss over its fundamental defect. The bitter experience of the times

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has taught us the grim lesson that intelligent organization may do the work of the devil as readily as the work of God. Unless human intelligence submits to moral control it will bring the world to ruin. The time is ripe for a new Ruskin to proclaim with a prophet's eloquence the truth that plans of social reform conceived in scientific detachment and having no roots in moral principle are doomed to failure.

In what I have to say in the following pages I shall start quite frankly from the assumption that the prime requirement in building a better social organization is a change of heart. Unless as a nation we are inspired by a different spirit from that which manifested itself in the period after 1918, all the fine paper-schemes that we may draw up will be pure waste of time.

Practical people will, of course, demand some evidence that a changed moral attitude is impending before they will be ready to pay much attention to an argument assuming its necessity. I think there is fairly plain evidence that a spiritual change is in progress. In the years of international tension before 1939 there was a marked quickening of moral feeling in response to the challenge of totalitarian barbarity. One aspect of this was the considerable growth of the pacifist movement. Whatever the opponents of pacifism may think of it as a practical policy in a world of aggressive militarism, there can be no doubt that it represents an assertion of spiritual values as against those of materialism. Another manifestation of the same spiritual awakening was observable during the rearmament period when a number of distinguished people—mostly laymen—urged in the Press and elsewhere the need for "moral rearmament." How wide was the response to this exhortation to return to essential ethical principles it is impossible to estimate; but it says something for the quality of public feeling at

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that time that the still, small voice was not completely drowned by the tramping of the troops and the din of the munition factories. Nor is it without significance that at the outbreak of war the British Foreign Secretary was a deeply religious man, whose convictions were expressed quite frankly in his public utterances. I recall a remarkable broadcast speech in the early months of the war in which, to all the world, this minister of the Crown spoke the thoughts and used the language of a minister of religion. Has any English statesman dared to talk like this since Victorian times? The war itself brought moral issues into still greater prominence. It is difficult to imagine that there can ever have been a struggle in which the nation was less influenced by sordid motives. It was publicly asserted time and again by the national spokesmen—and generally accepted—that we were fighting to maintain the principles of Christian civilisation. The cynic, of course, will dismiss such a claim as arising from the Englishman's inveterate habit of finding a moral justification for whatever course of action he deems expedient. But in this instance the cynic is wrong. There was among all classes a deep conviction that the conflict was at basis a moral one: it was a fight of good against evil. And this conviction was shared equally by those who relied on the weapon of physical force, and by the pacifists who rejected it. Further, it was generally realized, as it was not in 1914, that the essential struggle would have to be continued with still greater intensity when the physical conflict was ended; in other words, that a military victory without a moral victory would be barren. This was the main theme of J. B. Priestley's famous series of Sunday night broadcast Postscripts; and millions of listeners endorsed his views.

A process of moral regeneration would be expected to



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take the form of a religious revival. Are we in the presence of a religious awakening? There has certainly been a change in tone in recent literature dealing with public affairs: the arid intellectualism and materialism characteristic of so much of the writing of the 'twenties and 'thirties have given way in some measure to the assertion of spiritual values and the insistence on the religious basis of society. There has been much searching of heart; in book after book we have seen writers driven back to first principles and forced to declare the faith that is in them. John Strachey's war-time turn of thought is a notable phenomenon. The most able of the English exponents of Marxism now discovers that there are ultimate values of truth and love—values which are independent of economic relationships. "The ruin of the old world has revealed that these two principles, and they alone, can redeem human life from wretchedness and hopelessness."<sup>1</sup> In the case of several well-known writers—for instance, Middleton Murry, T. S. Eliot, Dorothy Sayers, and Christopher Dawson—the declaration of faith is in line with traditional Christianity. More typical of our time and more significant for the future, I think, is the spiritual pilgrimage of Aldous Huxley—a pilgrimage to the goal of a profound religious conviction that is not bounded within the limits of an existing creed. I do not, in fact, see much evidence of a return to the formal religion of the churches. In spite of the increased church-going resulting from the need for war-time consolation, there is little likelihood that the modern drift away from dogmatic Christianity will be permanently arrested. Conventional Christian teaching contains too much that is repugnant to the twentieth-century mind. But more and more people who are repelled by traditional dogma are finding for them-

<sup>1</sup> *A Faith to Fight For* (Gollancz, 1941), p. 19.

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selves a personal faith based on the essentials of the Christian ethic. If a turning away from materialism to a belief in the spiritual as the supreme force, and in charity as the essential virtue, constitutes a religious revival, then we may say that such a revival is in progress. There is to-day a far more genuine realization than there was in the days when religious forms were more widely observed that poverty and discontent will be banished from the community only when the love of one's neighbour becomes a reality ; that international peace will be established only when people of all nations think the thoughts of peace, and put aside the thoughts of war for any purpose whatever ; and that the World State will come into being only when international technical controls are buttressed by the universal sentiment of human brotherhood.

All this gives ground for believing that sufficient moral energy is being developed to provide a movement of social advance with the necessary driving-power. The emergence of the new spirit must, of course, affect the whole structure of national life : it will manifest itself in politics and education no less than in economic affairs. The ordinary citizen, however, will look for the evidence of change for the better mainly in the economic arrangements of society : he will expect both his work and the products of his work to contribute more than in the past to his happiness and welfare. It is to this aspect of social progress, therefore, that I shall mainly devote myself. In order to limit the field of discussion I assume that we shall succeed in establishing a political framework adequate to the needs of the future. I proceed in the next chapter to consider the fundamental principles on which we must base economic reorganization.

## CHAPTER II

### BASIC PRINCIPLES

#### *The Economics of the Age of Plenty*

LET us begin by asking one or two simple but fundamental questions. First, what is the purpose of an economic system? The obvious answer is that it exists to provide for our material wants. But the citizen whose wants are supplied is also a producer, that is, the agent of supply. Thus he must look at the economic system from a second aspect as the means of providing him with work.

What do we expect of an ideal economic system? If we think of it first as an instrument for apportioning work, we shall not hesitate to say that it should ensure to every citizen a suitable amount of regular employment of the kind for which he is best suited. As a provisional ideal we should no doubt be satisfied with a system that gave work to everybody, even if the type of work was very imperfectly adjusted to individual aptitudes.

What do we look for in the ideal system considered solely as a means of providing us with the goods and services we need? We cannot be satisfied with the naïve answer that it should supply us with the greatest possible quantity of goods and services. Certainly the bulk of the population at the present time would desire, and rightly desire, more and better goods and services than they actually receive. They would expect, in fact, that any economic order claiming to be better than the existing one would give them a higher standard of living. But technical methods

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are being constantly improved, and our power of production is increasing at such a pace that, if wars do not swallow up the resources available for peaceful enjoyment, the means to material comfort will show a continuous and rapid expansion. In time we must reach a stage at which we shall have to ask ourselves what we consider to be a satisfactory standard of life, and whether we have, in fact, achieved it. Of course, if at this point in the future our present social inequalities still exist, this question may seem incapable of a general answer, for what would appear adequate to one class of people would appear quite inadequate to another. And even if we suppose our present wide gradations of wealth to be done away with, we must still remember that individuals vary so much in temperament and desires that it would be difficult to agree upon a satisfactory standard of material welfare applicable to all. But in spite of its difficulty the question is of essential importance, and we shall not in the long run be able to evade it. The community by its collective effort produces a certain quantity of commodities year by year, and provides a certain quantity of services. These quantities must bear some relation to the presumed needs of the consumers. There is no sense in supposing that they must for ever go on increasing to an indefinite extent.

To ask when we shall be able to call a halt to the increase in the provision of material commodities implies a new attitude to economic affairs. The question was not asked in the nineteenth century. The business men and economists of that time contemplated no finality in the expansion of production. The test both of the kind and of the quantity of goods to be produced was profit ; and profit was its own justification. The increase in the volume of production in any direction would naturally be maintained so long as it "paid."

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Nor was it necessary in the early industrial age to contemplate any possible limits to production, even if the matter were viewed in the light of other conditions than profit and loss. In the pre-industrial period the masses had been living in such intolerable poverty that to the pioneers of the new age it might well have seemed that the one thing that mattered was to provide mankind with all the commodities of which they were in dire need. So many real wants were crying out to be satisfied that men and machines could not work hard enough. Thus a huge and rapid expansion of production represented itself to men's minds as a great work whose end was to lift humanity out of blighting penury into a state in which a truly human life would be possible. Economic progress—meaning the ever-increasing control over natural resources for the production of material goods—became, in fact, the essential element in that general movement of progress which to our grandfathers' minds was so impressive.

But that stage in industrial civilization has been left behind. The purely technical problems of production have been mastered. Food can be grown and manufactured articles produced on a scale already exceeding effective demand. We have passed out of the age of scarcity into the age of plenty.<sup>1</sup> In a modern community possessing adequate natural resources, and making intelligent use of them, no human being need be so dominated by economic necessity

<sup>1</sup> Mr. Colin Clark (*The Conditions of Economic Progress*, 1940), viewing the world as a whole, arrives by statistical methods at the conclusion that the age of plenty is still far distant. No doubt, as he says, the world as a whole is "a wretchedly poor place," but in the advanced industrial nations it is surely true that the technical problems of production have been so far mastered that a very considerable rise in the standard of life would be possible at once if only our social problems could be solved. Perhaps even the richer nations are only on the threshold of the age of plenty; but with their energies fully devoted to peaceful activities they could soon cross the threshold. Thus my argument in this chapter is not, I think, remote from actuality.

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that he cannot develop his higher faculties. A further great improvement in the standard of living will be attainable when we have decided to plan for peace rather than for war, and when we have learned how to free the channels of distribution from the producer to the consumer. The problem is not to produce goods, but to see that they reach the right people in the right amounts. Thus the aim of indefinite expansion of production, once intelligible and laudable, has become meaningless.

It has become meaningless unless we assume that the desire of human beings for material things is, and ought to be, unlimited. This is indeed the assumption underlying a great part of the business activity in the present-day capitalist communities ; but it is an assumption that no-one who has progressed beyond the stage of childish acquisitiveness can accept. It is a matter of elementary experience that the good life can be lived only in freedom from the burden of material possessions. It is a cardinal point in the ethical teaching of all the higher religions that the road to spiritual health lies through simplicity of living and the limitation of the desire for worldly goods. Now if this principle is accepted as governing individual welfare, it must clearly be embodied in the economic organization of the community to which the individual belongs. When, therefore, the economic system has passed a certain point in efficiency in multiplying commodities, we are bound to ask when the process of expansion should be stopped.

I must emphasize that the position to which the argument has brought us is not merely an insistence on the commonplace of Christian ethics that man does not live by bread alone. That is indeed a truth of which we are becoming more and more aware. But the immediate point is that whereas in the days when for most men bread was hard

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to come by, such a doctrine was not easy to reconcile with economic experience and had to be reinforced by supernatural authority, to-day it is supported by the very facts of economic experience. When once we begin to think in terms of a world in which there is more than enough bread to go round, we see that neither the creation nor the disposal of material wealth can be left entirely to what have hitherto been regarded as economic motives.

This revolutionary transformation of the economic situation is not taken account of by the orthodox economists, for it is a change which makes their theories cease to be relevant. They continue to make the customary assumption that the purpose of economic activity is to secure the highest possible productivity in a world of scarcity, and that therefore the directors of that activity must always seek to apply their energy and resources at the point which will yield the maximum return. Such an assumption was valid in the period when the principles of classical economics were being formulated ; but it is valid now only if the economic order is regarded as a closed system. If economic activity can be abstracted and conceived as limited to the production and distribution of material wealth, then the doctrine of maximum productivity is a mere maxim of efficiency. But however convenient it may have been for the earlier economists to make this assumption, it is impossible to do so to-day. As soon as we begin to ask such a question as when will production have reached a volume adequate to human needs, we demolish the barriers that separate economics from ethics and politics.

If economists in the classical tradition are reluctant to face the implications of the new phase of industrialism, thoughtful people are becoming increasingly aware of them. "Economic progress," as such, ceases to have the appeal it

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once had. As an ideal, the continued expansion of human power over nature for the indefinite increase in material wealth is seen to be barren. The individual benefits from the improvement in his material conditions to the extent that the hindrances to the good life are removed ; but if he knows not in what the good life consists, he is still without the one thing needful. As with the individual, so with the nation. Of what use is growing wealth if it does not foster brotherhood within the community and harmony with the other peoples of the world? We are assured by the communist creed that expanding industrialism, so far from promoting international harmony, leads inevitably to the clash of rival imperialisms in war. In so far as there is truth in this assertion, the right conclusion to be drawn is not that one form of economic organization should give place to another, but that economic aims should be subordinated to moral aims. To discuss economic problems in isolation from principles derived from a higher source is to make escape from our present social chaos impossible.

It has been very persuasively argued by Mr. Peter F. Drucker<sup>1</sup> that the desire for something beyond economic satisfactions was the essential factor in the growth of fascism, especially in Nazi Germany. He maintains that fascism is the result of a deep-seated spiritual disease caused by the fact that men have realized that neither capitalism nor socialism, both of which are based on the conception of Economic Man, can satisfy human aspirations by producing a society of free and equal citizens. Fascist leaders, partly of their own volition and partly as instruments of the popular will, set out to create a new society having non-economic aims and substituting for the ideal of Economic Man that of Heroic Man, whose essential

<sup>1</sup> *The End of Economic Man* (Heinemann, 1939).



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qualities are self-discipline and self-abnegation. The economic system of the Third Reich was rigidly controlled for the social purpose of abolishing unemployment, and this was achieved by severely limiting the amount of energy and resources devoted to the purely economic end of producing consumable goods. The workers' standard of life was kept low in order that the maximum investment might be made in capital goods, and particularly, of course, in armaments. In substitution for economic satisfactions the people were offered such cultural advantages as those of the Strength through Joy movement: they were given free tickets for operas, theatres, and concerts, holiday trips to the Alps, cruises to the Mediterranean countries and to Scandinavia. A strong attempt to efface economic class-distinctions was made through the various fascist organizations in which social equality was enforced. The organization of the nation on military lines was partly a real preparation for war; but it was also, and mainly, for the purpose of breaking down class barriers and giving the individual the chance of winning a place in a social hierarchy based on other than economic values.

Such a view of the spiritual origins of fascism is, of course, controversial; but it is derived from first-hand experience of conditions in Europe, and to me it seems to contain essential truth. If we accept it, we have reason to suppose that the explosive emotional manifestations in Germany and Italy are in some sort portents of a movement of feeling in progress throughout the industrialized West. I do not mean that other nations will necessarily pursue the course of violent political revolution. But I do think that even in the more conservative capitalist states the conception of the economic order as self-sufficient and a law unto itself is destined soon to disappear; and when men

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fully realize that the governing principles of society—even of highly industrialized society—are spiritual and not economic, very profound social changes must occur.

Let me re-state our main conclusions so far. First, the advanced industrial nations have either already reached, or will shortly reach, a technical stage at which there is potential abundance of consumable commodities. We can therefore abandon the assumption of scarcity, which is at the basis of orthodox economic theory, and cease to think always in terms of maximum production. Labour and material resources, which once had to be economized, can now be diverted to an increasing extent to projects which according to old ideas would be "wasteful." It is no longer necessary to demand that every economic operation should "pay." For instance, to carry the re-housing of the working-classes to a point far beyond anything contemplated in recent legislation would not pay; but if the materials and the man-power are available, there is no good reason why we should not do it. Or again, in agricultural policy it might pay us (that is, the farmers) best to concentrate on animal husbandry and milk production and to limit our cereal crops. But if we should decide on social grounds that it is desirable to maintain a larger population on the land, there is no reason why we should not consider a revision of the policy that purely commercial prudence dictates.

This conclusion involves, of course, an important corollary. The supreme position of private enterprise can no longer be accepted. While we need not suppose that the profit-motive must entirely disappear, it is clear that in those areas of enterprise which are not expected to "pay" the initiative must come from public authority.

My second conclusion is that since a high standard of

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living is not a moral good in itself, it is pointless to state the final aim of social policy as "raising the standard of living." The established standard for the poorer classes even in the economically advanced countries is too low; and the immediate aim of policy should be to raise it. We are prevented from doing this not by inadequate technique of production, but by our inability to equate the purchasing-power of the masses with the volume of goods potentially available. When this difficulty has been removed, however, and expanding productivity is allowed to bring a due share of benefits to all classes, it will be necessary to consider fixing a level of material prosperity as being that at which the spiritual ideals of society can be best achieved.

Having decided to subordinate economic aims to wider social purposes, we have to consider the various alternative policies lying open to us. We have mentioned the two aspects of the economic system, as an instrument for providing goods and services and as an instrument for providing work. In the present phase of economic development there can be no doubt that the second of these aspects must engage our chief attention. There can be no social health until we have found the way to guarantee to every member of the community useful and satisfying work. At the same time we have to settle in what directions to employ our organized national energy. We can, if we like, increase the amount of energy and material devoted to production to a point at which we provide ourselves not only with ample supplies of the essentials and comforts of life, but with luxuries and toys of all kinds in unheard of quantities. Or we may set a limit to our production of commodities in order to add to the amount of leisure enjoyed by the community. Or, having settled the length

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of the working day, we may vary the proportions of labour and material as between consumable goods on the one hand and social services and public amenities on the other ; we may prefer to have fewer motor cars, suits of clothes, and articles of furniture, and more public parks, finer public buildings, and better-planned towns.

Which of these possibilities should we choose ? It is a fundamental principle that we should avoid burdening ourselves with an unlimited accumulation of consumable commodities. What of the aim of a great increase in leisure ? Certainly our object should be to maintain the improvement of working conditions, and, in particular, to confer on the working population as much leisure as can be profitably used, which is perhaps not so much as is commonly imagined. But even with a shorter working week we shall eventually have a good deal of energy to spare if we limit the output of consumption goods. A considerable amount of labour will therefore be available for providing additional social services and greatly extended public amenities. Our surplus resources should surely be devoted to abolishing the present ugliness and sordidness in town and countryside, and to creating for ourselves a beautiful environment for both work and recreation. Putting aside the narrowness and meanness of the age of commercialism, we should do all that material means permit to provide the appropriate conditions for the nobler occupations and the finer pleasures of life. In this way the economic motive would be removed from the position of dominance that it has so long held, and would be given its true place as subservient to the spiritual aims of life.

By this time I fear that any economist of the traditional school who may chance to read this book will have become very impatient with me. He will be ready to point out

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with some asperity that in proposing at one and the same time to fix a limit to production of consumable goods, to guarantee full employment, to grant increased leisure, and to embark on a big programme of public works, I am setting forth aims which are mutually incompatible, and my scheme is therefore impracticable. This may be true if we are thinking according to present "economic laws," that is, according to theories extracted from a form of society, a set of motives, and methods of production and exchange that are rapidly becoming obsolete. But as in the present stage of technological progress there is nothing fundamentally irrational, or even Utopian, in the conception of a society of people fully employed, enjoying a considerable amount of leisure, having a moderate share of material possessions, and living in a worthy environment, I cannot believe that it is beyond the wit of man to bring such a society into existence. The only condition is that we should really want it.

### *A National Way of Life*

Any such plan, which transcends the limitation of traditional rules and hitches the economic wagon to the star of a social ideal, must be regarded very differently from the familiar sort of political expedient. It must be accepted as an expression of deliberate social purpose and as the means of establishing a positive way of life. Now in the present stage of the evolution of mankind a way of life can be most easily achieved in the first instance as a national way of life. A plan such as I have outlined for a new economic order in this country would be the result of a general agreement emerging from specifically British modes of thinking and feeling. It would be a plan to suit ourselves,

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but it would not necessarily suit other nations with different history and traditions. If we thoroughly believed in the plan, as we should have to do to make it effective, we should of course hope that we were providing an example for other peoples to follow ; but we should have to be ready to pursue our own path whether others followed us or not.

The implication of this is exceedingly important. In order to obtain the necessary freedom of action we should have to extricate ourselves to some extent from the international entanglements of trade and industry. Such a course would be entirely opposed to our long economic tradition, and would encounter considerable prejudice. Although the nineteenth-century international system has badly broken down, and the troubles of British trade since 1918 have been in great measure due to that breakdown, I suppose most people still imagine or hope that this state of affairs is only temporary ; their ideal is the restoration of an international economy based on the fullest possible trade between the nations, but with the addition of certain world controls made necessary by modern developments. Within limits, internationalism of a new pattern will indeed be inevitable in the post-war world. The difficulty is that we have no guarantee that any new international controls on which agreement could be reached would promote those particular non-economic aims which in our national plan are to be paramount. I am driven to the conclusion, therefore, that in pursuing a specifically British ideal of national life we should have to insulate our economy from the inimical conditions that might prevail in the rest of the world.

To many this will seem a dangerous conclusion. The modern world has become familiar with social experiments in which a nation has withdrawn economically within itself.

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The revolutions in Russia, Italy, and Germany were all followed by the development of an economic policy of self-sufficiency. In pursuit of certain political ideals these nations turned their backs on the rest of the world ; they were ready to forgo the advantage of international trade and to live as much as possible on their own resources, even if this involved deprivation of certain commodities and the adoption of expensive substitutes for others. Through being directed to hateful political ideals and being made the instrument of insensate militarism, the policy of self-sufficiency has acquired for us a sinister and forbidding character. But the fact that it has hitherto been carried to extreme lengths with the worst of motives and by the most ruthless methods is no sufficient reason for condemning it as inherently wrong. A policy tending towards self-sufficiency, if pursued intelligently and with reasonable consideration for the needs of other nations, might well be justified as a means of securing the economic setting for a worthy national culture.

Great Britain has been so long involved in the nexus of world trade that it has become almost second nature to us to think internationally about economic affairs. But the ideas we have inherited from the Victorians about economic internationalism badly need overhauling. Take the most important of them—the idea that the world system of trade depends for its efficiency on the international division of labour. It is still generally supposed that irreplaceable advantages are secured by allowing each country to concentrate on those commodities which it can best produce ; and, so far as our own trade is concerned, we accept the position that we should continue to make and export manufactured goods and obtain most of our foodstuffs from abroad. So long as each community is using its peculiar

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resources and skill to the best advantage and exchanging the surplus for goods which other nations are specially fitted to produce—so the argument runs—the total wealth of the world will be increased to a maximum, and the standard of living will be raised all round.

The case for international specialization can be supported so long as it is assumed that the final end of the economic process, whether of the individual nation or of the world as a whole, is to create the maximum material wealth. But, as I have already insisted, when we have reached the position that maximum production is no longer the first consideration, the argument breaks down. And even the technical grounds for international specialization are far less solid than they were in the nineteenth century, when industrial plant and skilled workers were concentrated in limited areas. Of course, certain natural advantages of soil, climate, geographical position, and so forth, are bound to remain important, but they are less important than they were. Lord Keynes has summed up the matter thus in an often-quoted passage :

Over an increasingly wide range of industrial products, and perhaps of agricultural products also, I have become doubtful whether the economic loss of national self-sufficiency is great enough to outweigh the other advantage of gradually bringing the product and the consumer within the ambit of the same national, economic, and financial organization. Experience accumulates to prove that most modern processes of mass-production can be performed in most countries and climates with almost equal efficiency. Moreover, with greater wealth, both primary and manufactured products play a smaller part in the national economy compared with houses, personal services, and local amenities, which are not available for international exchange ; with the result that a moderate increase in the real cost of primary and manufactured products consequent on greater national self-sufficiency may cease to be of serious consequence when weighed in the balance against advantages of a different



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kind. National self-sufficiency, in short, though it costs something, may be becoming a luxury which we can afford, if we happen to want it.<sup>1</sup>

Great Britain is, of course, in a peculiar position in relying to so great an extent on foreign sources for her food supply. It would not be difficult, however, to make the necessary adjustments to obtain all that we require from countries within the Empire. Actually in 1942, by fully exploiting our resources, we produced two-thirds of our foodstuffs at home. But, apart from war changes, we are in the midst of an agricultural revolution of a magnitude not generally appreciated. Through the application of scientific research to agriculture the yield of crops from a given acreage has been considerably increased in recent years. Work in plant-breeding has led to the development of special strains adapted to particular environments, so that crops can now be grown in areas previously regarded as unsuitable. There has also been great improvement in the breeding of cattle and the treatment of animal diseases. At present, of course, much of the new knowledge is not made use of by farmers. At the same time it must be remembered that the biological sciences have not yet advanced beyond their early stages. Hence we may reasonably expect a great increase in the productivity of the soil in the future.

Nevertheless it would be foolish to suggest that we should attempt suddenly and completely to extricate ourselves from the complications of world trade. For one thing, the interruption of our commercial connections would in some cases bring ruin to other countries, including the Dominions; and for another, the hasty development

<sup>1</sup> Lord Keynes, "National Self-sufficiency," *Yale Review*, Vol. XXII, 1933, pp. 759-60.

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of alternative or substitute industries here would only cause difficulties and confusion. Moreover, our industries technically equipped for mass-production generally depend for their successful working on access to markets greater than those afforded by home consumers. If, however, we are determined on a radical change of policy, it could be carried through with less difficulty now than later. Europe and the world have been thrown into economic chaos by the war ; nations have been devastated and their economies, built up by years of effort, have been wrecked. Wholesale readjustments will in any case have to be made in foreign trade ; and there is no reason for insisting that they should be made according to the old patterns.

Economic self-sufficiency is sometimes objected to on the ground that, especially if it were generally adopted, it would afford a perennial provocation of war. While there is something to be said for this objection, it does not follow that the nineteenth-century international system of trade had the reverse tendency. It was, of course, generally held that widespread commerce promoted peace between the nations ; but this is another of the Victorian beliefs needing revision or qualification. The idea had gained currency even before the great nineteenth-century expansion of British overseas trade. We find it stated, for instance, in the Second Part of Paine's *Rights of Man* (published 1792), which had enormous influence on opinion :

In all my publications, where the matter would admit, I have been an advocate for commerce, because I am a friend to its effects. It is a pacific system, operating to cordialize mankind, by rendering nations, as well as individuals, useful to each other. . . . If commerce were permitted to act to the universal extent it is capable of, it would extirpate the system of war, and produce a revolution in the uncivilized state of governments. The invention of commerce has arisen since those governments began, and it is the greatest approach

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towards universal civilization that has yet been made by any means not immediately flowing from moral principles.

But actual developments hardly justified such hopes. The earlier enthusiasts for the blessings of commerce could scarcely be expected to foresee the nineteenth-century growth of economic imperialism. The process of investment by the wealthier nations in the undeveloped countries of the world led to struggles for control of territory, for commercial concessions, and for the domination of markets. Small nations became dependent on the financial interests exerted from abroad, and their railways, mines, oil-wells, and public utilities were owned by foreign investors who accepted no direct responsibility for technical management. Thus the spread of capital investment, while it brought certain material advantages to economically backward areas, also set up stresses and strains tending to disturb rather than to promote world peace. Therefore one of the causes of international friction would no doubt be removed if the nations tried to base their prosperity on the development of resources and markets at home and refrained from seeking to exploit foreign resources by large capital investment abroad.

On the other hand, a policy of national self-sufficiency pursued in selfish disregard of the needs of other countries might well bring dangers to the peace of the world. The raw materials in general demand to-day are scattered over the face of the earth without regard to political boundaries ; many of the most important are found abundantly in the territories of the British Empire ; some are obtainable in only one or two areas. If international commerce were restricted in such a way that a nation could not obtain essential raw materials by ordinary trade, it would be tempted to obtain them by force. It seems necessary, there-

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fore, that the basic raw materials should as far as possible be freely exchanged between the nations, preferably under some form of international supervision. Again, it would be necessary to take account of the special difficulties of certain nations having a peculiar dependence on foreign trade. An economic isolationism precluding such international co-operation might be as conducive to war as economic imperialism.

I have said so much on the subject of the relationship between international trade and world peace because it is very much in people's minds. But we should refuse to allow the economic causes of war to be unduly magnified. Those who are determined to identify economics with the whole of life display an ingenuity in argument equalled only by their blindness. They will plausibly maintain that even Hitler's war was the result of an economic cause. When Hitler came to power, it is argued, he set himself to conquer the dominant evil of unemployment in Germany. Seeing that it was impossible to find markets abroad to absorb a large increase in production, he determined to create an unlimited internal market for goods by means of a gigantic armament programme. He then built up a cunningly devised self-contained economy in which this vastly expanded production could be financed without resort to inflation. His methods succeeded until unemployment was abolished. Then it was necessary to increase the territory under the domination of the Reich so as to secure additional workers and to develop extended markets for State-financed industry. Hence the need to invade first Austria ; then Czecho-Slovakia ; and so on. While all this may be true, it misses the essential point. We may grant the existence of a desperate economic situation when Hitler seized control. But the war was not caused by that situa-

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tion ; it was caused by the nature of Hitler and his henchmen, whose moral degeneracy was such that they were willing to bring devastation to Europe and the world in order to secure their ends. It is obvious that if another set of men with slightly less rudimentary moral sense had secured power in Germany the economic situation would have been dealt with in a different way, and no war would have resulted. But those whose argument I am quoting would say, I believe, that the economic situation was such that it inevitably produced a Hitler, and thus the one must be considered the cause of the other. It seems to me that we might just as well say that the particular situation of the United States engineering industry at the beginning of this century was the cause of Henry Ford. No ; let us at long last realize that the true cause of war is spiritual : if economic problems are solved by war it is because one or more nations—or their governments—are dominated by passions that only force will appease.

Obviously, however, it is a good thing to remove as far as possible any likely causes of friction between nations. In order, therefore, to avoid the conflict of economic interests we must look to the eventual establishment of international machinery for distributing certain foodstuffs and raw materials essential to modern industrial civilization and for securing co-operation in dealing with specific problems. This implies a central world organization such as might have been (and may yet be) developed out of the economic side of the League of Nations. But whereas the old internationalism worked through the trading of the individual merchants of separate countries, the new internationalism will operate typically by means of State-controlled agencies for exports and imports. Within such an international framework there seems no reason why a

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particular nation or group of nations should not pursue an economic policy designed to employ its energy and capital as far as possible within its own boundaries. In this sense self-sufficiency would mean that a nation, while going abroad for the things it really needed, would discourage industrial development leading to or necessitating large foreign investment and the control of foreign markets ; it would seek to make the best of its own resources in accordance with its conception of social welfare, and to remain relatively undisturbed by important changes occurring elsewhere in the world and by the effects of national policies framed to achieve other ideals. There would be all the difference in the world between self-sufficiency of this kind, having as its aim the peaceful enjoyment of the fruits of labour, and the self-sufficiency hitherto known, which imposes the shackles of scarcity and hardship on a people in preparation for war.

### *National Character*

I have been suggesting that as a people we should look inward rather than outward for our salvation. I am advocating, if you like, a form of nationalism. Lest I should be accused of retrogression to a thoroughly undesirable ideal, however, I must walk warily. To progressive minds the term "nationalism" has long had the unpleasant associations of reaction and aggression, and recent history has given it a significance wholly sinister. The inflated national egotism from which the modern world has suffered is to be loathed as the enemy of all progress. What I want to suggest, however, is that we should not let these pathological manifestations of perverted nationalism blind

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us to the true significance of national character in world affairs and to the contribution which the nation, as such, can make to human progress.

The other ideal of internationalism has been the subject of so much propaganda that we may be easily led to hope too much from it. We have given a great deal of thought and attention to the very necessary business of establishing an international political system through the League of Nations. Since the failure of the League we have been asked to consider schemes of Federal Union—schemes which to the unwary carry the suggestion that world unity is only a matter of appropriate organization. We hear much talk about co-operation between “like-minded” nations. Although such co-operation is a consummation devoutly to be wished, the stereotyped use of the term “like-minded” can be dangerously misleading. A further stream of propaganda comes from a quite different direction. Socialist theories have familiarized us with the idea that national differences count for little in comparison with class differences. Added to all this is the enormous influence exerted by mere economic facts—by the phenomenal reduction of distance that makes the imposition of world control imperative. Thus those thinkers in all countries who conceive of progress in other terms than the forcible domination of the rest of the world by their own nation must inevitably regard internationalism as an essential factor in human development. But it is one thing to look to the setting up of a workable system of international law, and quite another to imagine an amorphous international society in which national idiosyncrasies and ways of thought have been lost. Let us by all means have an international organization for regulating the technical matters arising from the intercourse of the peoples of the world ; but let us also remember that

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the nation is the seed-bed of spiritual growth and the natural unit for social experiment.

We in Great Britain need to be especially on our guard against overweighting the claims of the international idea, because since the war of 1914-1918 we have been foremost in support of international policy. The British public was firm in its backing of the League of Nations—far more so than the policy of successive British governments suggested. In view of our traditional dislike of European commitments this attitude was perhaps surprising. It was certainly the expression of a genuine idealism—of a desire to create an international order in which war should be impossible. But I think it was also connected with the older tradition of an international commercial system which we had done so much to build up, and in which we still had faith. The nineteenth-century system of foreign trade was based on a uniformity of practice and an international monetary organization which all the trading nations were desirous in their own interests to maintain. It depended for its success on the willingness of all to play the game according to the rules. Community of interest enforced a certain cohesion amongst the commercial nations. This in itself seemed to afford ground for hopes of a true comity of nations. If solidarity could be established in the economic sphere—which to the Victorian man of affairs was all-important—it would surely pass by a natural extension into co-operation in other spheres of life.

In the Victorian attitude, indeed, insularity and internationalism were curiously intertwined. In some ways we English were acutely conscious of our separateness from all foreigners. But we could also—when it suited our political mood—think of other nations as though they were all Englishmen of varying degrees of inferiority, who, given



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time and a willingness to learn, could eventually raise themselves by the aid of Parliamentary democracy to the high plane of civilization which we had ourselves reached. Such a view, which brushed aside patent differences in national culture and aspiration, was no doubt the legacy of doctrines concerning the Rights of Man and the Brotherhood of Man, in which theorizing about world politics was simplified by substituting the abstraction Man for the less tractable realities—Englishmen, Frenchmen, Germans, Americans. It was only natural that Man should be treated as synonymous with God's Englishman.

It is clear enough now, however, that the nineteenth-century hopes springing from internationalism in trade, like some of the aspirations of present-day internationalists, were based on consideration of a uniformity that was only superficial. The profound differences in national character were ignored. Nations may engage with one another in commerce, using the same methods and apparently pursuing the same ends; yet they live according to very different customs and cherish very different social ideals. Conventional civilities of the market-place are quite consistent with the widest spiritual divergencies.

Events of recent history have surely brought home to us with tragic force the importance of the qualities of national character. The revolutions and disasters culminating in the war have had their origin in a spiritual crisis within particular peoples: the course of events has been plainly determined by psychological factors of nationality. Throughout the long-drawn period of strain the Englishman was constantly saying to himself that he could not understand the attitude or enter into the feelings of the Germans or the Italians: the outlook of these two nations seemed to him to belong to another age, or even to another

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world. Our unpreparedness for war in 1939 was due essentially to the fact that we could not believe that the German nation would actually do what it was quite obviously preparing to do. Our efforts to avoid the cataclysm that for years loomed in prospect were necessarily abortive because the spiritual gulf between the two nations was unbridgeable. The plea so often put forward by well-intentioned idealists that a conference of the nations should be called to settle their differences round a council-table came characteristically from Englishmen, whose traditional belief it is that all international troubles could be reduced to business terms, and that a certain amount of frank talk would soon lead to a deal based on give and take. But national tempers were such that business deals made no appeal whatever. The spirit of rabid nationalism was abroad : nations were filled with an insensate determination to allow nothing to deflect them from their sacred purpose.

It is not only between nations with hostile political creeds that marked differences in national character exist. We were accustomed to talk of the British, the French, and the Americans as like-minded because they all happened to believe in something called democracy. But how much real spiritual affinity is there between them ? One of the tragedies after 1918 was the lack of harmony between Britain and France in a policy for Europe ; and this lack of harmony was the result of acute differences in national outlook. And how abysmally hollow seemed all the talk of the unity of spirit between the two nations in the second great war when military defeat brought about the French collapse. It does not concern the point to argue whether we should have acted better or worse if we had been in the position of the French at this time ; what is significant is that we should certainly have acted differently. Again,

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for years before 1939 it was part of British policy to cultivate the friendship of the United States ; and we know how warily we had to proceed in spite of the fact that we were wooing a sister-democracy speaking our own language. Our desire for friendship as a factor in world peace was perfectly sincere, yet at every turn we had to beware of offending American susceptibilities and to guard against the mistake of supposing that Americans are only our "cousins" living overseas, and that therefore they think and feel just as we do.

I hold, therefore, that the spiritual uniqueness of the nation is a fact that must enter into all our calculations of policy, and all the more at a time when our minds are occupied with international problems and our hopes are enticed by visions of a World State. We shall rightly eschew conceptions of the nation drawn from false theories of race, and we shall repudiate mystical doctrines about the State as a super-personality. We need not go beyond the plain fact that a nation is a particular form of community existing in virtue of a spiritual unity derived from its special social heritage. It develops its own mode of thought and sentiment ; it carries out its own experiment in living ; and in so doing it makes its peculiar contribution to the stream of civilization. In speaking, as we do, of the "soul of a nation" we are merely giving a name to a mystery that is very inadequately explained by science or history ; but none the less we mean by the term something very real. Similarly, talk of a nation's "mission" is not to be lightly dismissed as a notion that is only a rationalization of aggressive nationalism. The white man's burden, the leadership of the Nordic race, the Co-Prosperity Sphere in Asia are, of course, ideas that can be used to cloak pure acquisitiveness. A nation's own account of its mission is

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not always to be trusted. Nevertheless the nation, like the individual, by displaying certain qualities and promoting certain ideals, brings its influence to bear on the rest of the world. In weaving the texture of its culture from generation to generation and giving form to its thought and sentiment in its developing economic and political institutions, a nation brings its specific addition to the store of human experience. In this sense, no nation can escape its mission.

Let us then think of ourselves once more as a nation with a mission. In our prolonged embarrassment at Kipling's eulogy of British imperialism we have acquired a habit of excessive diffidence. We have carried the practice of self-criticism and self-depreciation to such a point that our belief in ourselves has been undermined, and our action correspondingly enfeebled. In any moral stocktaking among the nations to-day we should not come out badly. We stand, and we have convincingly shown that we stand, for certain political ideals that must be made to prevail if civilization is not to break down: we genuinely desire to walk in the ways of freedom, truth, toleration, and peace. Without descending to unwarranted complacency we may claim that the quality of our public life is above the average, and that our public men, whatever their other shortcomings, are on the whole men of integrity. And the character of a people is to be judged by the character of the leaders it throws up. Our heart is undoubtedly in the right place. It is for our head to find ways of making the dictates of the heart effective.

It is with these considerations in mind that I suggest that we may regard it as part of our national mission to provide the world with an example of a new conception of economic life—a conception of economic activity controlled by and subordinated to an idea of the good society in which

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spiritual values are supreme. If we create such a system it will represent our peculiar adaptation to changing circumstances, and will receive its complexion from the ingrained qualities of our national character. It must therefore be developed in the first instance within the nation or the commonwealth of nations in the Empire. If other peoples feel sufficiently drawn to us and our ideals to be willing to shape their economies on the same lines as our own they can be brought within our economic orbit. We have come to assume that the future of the world must be determined by the partnership of Britain and the United States ; and we are getting accustomed to the idea of Russia as a possible third partner. Will our conception of a new economic order be acceptable to these two other great nations ? Before committing ourselves to unlimited collaboration we are bound to ask this question. Contrary to the popular view, it might well prove easier to work with Russia than with the United States—that is, if the social ideals of the post-war United States remain substantially what they have been in the past. In no country has the purely economic motive been so dominant as in America ; in no country has big business produced a more devastating blight of materialism. It may be that the prolonged moral crisis resulting from the great depression and the second great war may bring the people of the United States to demand an economic system in which private gain is subordinated to public good ; in which case we of the British nation might hope to work out with them a trade policy subserving a common ideal. But failing an international partnership based, not on a sham community of material interests, but on a real community of thought and feeling, we should strive independently to realize our national ideals within the narrower limits of our own control.

### CHAPTER III

## THE CASE AGAINST CAPITALISM

IN the light of the principles we have been discussing we can examine the economic order under which we live—the capitalist system—to see whether we should wish it to survive in any recognizable form. We can take it for granted that it will undergo profound modifications in the coming years. Already, of course, the capitalist order is very different in character from the system that Marx wrote about: the present arrangement in which private enterprise and State regulation are uneasy partners obviously represents a transitional phase. We are on the move, and rapidly, to something else. The war has enormously increased the pace of change. We must therefore try to make up our mind on two things: the goal we are aiming at, and the speed with which the transitional process is to be completed.

In this discussion I think it will be useful to consider for a moment the phrase “the capitalist system” and what it implies. The atmosphere of economic discussion has been so vitiated by Marxist controversy that clear thinking on the subject is by no means easy. The fundamental positions of Marxism, while pretending to be scientific, are really in the nature of religious dogma. It is the paradox of communist thought that, while positing matter as the ultimate reality and denying all spiritual values, it puts man under the dominion of mystical powers and turns the “historic process” into God.<sup>1</sup> Thus even non-Marxists

<sup>1</sup> That this is not a rhetorical exaggeration is shown by the following quotation from René Fülöp-Miller's *The Mind and Face of Bolshevism*: “When Pokrovsky, the great historian of Soviet Russia, wanted to describe for the proletarian masses

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have become so accustomed to argument in terms of an historical class-struggle, a predetermined collapse of the capitalist order, an inevitable rise to power of the proletariat, and so forth, that they have to be on their guard against believing, or talking as though they believed, in the subordination of the human will to economic forces. Further, they have to beware of the temptation to regard "the capitalist system" as a supra-human personality with a life independent of the human beings it serves. It is necessary to assert that our actions are not governed by misty powers called systems. We are not chained to the barren task of assisting a movement which will in any case bear us to a predestined end. We can alter the direction at our own will. We are ourselves the architects of the future.

It is through submitting themselves to the idea of the capitalist system as an independent living entity that otherwise apparently intelligent people repeat the absurdity that "capitalism must be destroyed, because capitalism means war." If capitalism really meant war it would indeed be ripe for destruction. But surely it is obvious that systems do not make war : human beings make war. Men fight one another, not because they are the puppets of some overruling abstraction, but because they have hatred or ambition or greed in their hearts. It may be said that in creating the competitive economic order men put themselves in an environment fostering hatred, ambition, and greed. It would be truer, however, to say that this economic environment—the significance of Lenin for the revolutionary development of humanity, he explained the communist conception of the phenomenon 'Lenin' in words which sound utterly fantastic to Western ideas : 'We Marxians do not see personality as the maker of history, for to us personality is only the instrument with which history works. Perhaps a time will come when these instruments will be artificially constructed, as to-day we make our electrical accumulators. But we have not yet progressed so far; for the moment, these instruments through which history comes into being, these accumulators of the social process, are still begotten and born in an entirely elemental way' " (p. 7).

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ment was the reflection of their anti-social passions ; and it does not follow that with a change in economic forms those passions will disappear. Russia has destroyed private capitalism ; but she shows no marked disinclination for war. The Nazi government went as near as possible to destroying capitalism for the very purpose of making war.

The habit of personifying abstractions and endowing them with quasi-divine powers is not confined to Marxists. There is a school of thought which treats the machine in the same way. The machine is the characteristic phenomenon of the present technical phase of civilization. By those who dislike or fear its potentialities it is often written about as though it governed the destiny of mankind. For satirical or dramatic effect it is represented as a maleficent deity that is gradually reducing human creatures to a state of abject bondage. The idea was started by Samuel Butler : in *Erewhon* the machines were destroyed because they threatened to develop independent personality, and it was feared they would bring human kind under their dominion just as man has obtained control of the domestic animals. A similar conception runs through E. J. O'Brien's *The Dance of the Machines*. Plays like Capek's *R.U.R.* and Elmer Rice's *The Adding Machine* have tended to fix the idea of the machine as a potentially independent personality. In fact there is a considerable body of literary work having this tendency. Now to the literary man who has never worked in a machine-shop there is certainly something very impressive in the massed lathes, milling-machines, drillers and grinders extending in parallel ranks as far as the eye can see, many of them exacting human attention, but many also appearing to work and even to think for themselves, and all of them operating with marvellous dexterity and inexorable monotony to transform material into predeter-



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mined shapes. And for the literary man there is an even more impressive sight in the interior of an electric power-station,<sup>1</sup> where the great machines, attended perhaps by no more than two or three men, seem to have taken on their own shoulders the mighty task they are called upon to perform. But the engineer does not think about machines in this way. He knows that he can make them, alter them, improve them; they exist to work according to his direction. He does not see them as taking charge of his life and reducing him to serfdom. It would be well, I think, if social theorists looked at machines with the detachment of the engineer. As a manifestation of the human mind the machine is, of course, portentous. But we gain nothing by confusing the machine with the mind that creates it. We are not the helpless victims of the giants of circumstance, whether they are disguised as "machine-civilization" or the "capitalist system" which accompanies it.

I want, therefore, to look at the economic system as an expression of the human mind and amenable to human direction—as an instrument to be used to provide the material basis for the kind of society we regard as desirable. We must allow for the very considerable shaping effect of economic relationships on the lives of those involved in them; indeed; the main criticisms of the capitalist system must be based on the social consequences of its working. But the spirit of man finally determines, and is not determined by, the system of economic relationships.

It is hardly necessary for me to recapitulate all the familiar charges brought against the present economic order. I shall, therefore, concentrate on those considerations that have arisen out of the discussion in the previous chapter.

<sup>1</sup> See J. B. Priestley's *English Journey* (Heinemann, 1934), Chapter VII, Section 2.

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We said that from one aspect the success or failure of any modern economic system depends on its efficiency in providing work for the population. The chronic unemployment associated with the capitalist system in recent times is the chief reason for doubting whether that system can survive. In Great Britain the shock to our major industries caused by the war of 1914-18 was such as to put out of action to a great extent the self-adjusting mechanism of the competitive economy. We were still suffering from the effects of this shock when, in common with the rest of the world, we were caught in the great depression of the nineteen-thirties. Into the causes of this calamity we need not enter. The significant fact is that the business men were unable to extricate industry from its predicament and to find work for the millions of unemployed. The crisis was most spectacular in the United States. The situation there was so bad that nothing short of a new system of State regulation and State expenditure on a huge scale was of any avail. President Roosevelt's New Deal policy meant the scrapping, as it were overnight, of long-cherished American ideals of individualism and self-help. In a year or two legislation for social security, of a kind hitherto stoutly resisted by both the political parties, had effected a revolution in American life. In Great Britain the slump was only the deepening of the trough of depression in which we had found ourselves ever since the brief post-war boom. Government assistance had been regularly applied as a remedy; we now asked for an extension of the same policy. But when governments had done all that they were able or willing to do, they accomplished little beyond shoring up the sinking fabric. Although for a time trade improved in this country, we did not succeed in making any very large reduction in our vast army of unemployed.

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In the United States, too, a great mass of unemployment remained in spite of the increased volume of business, and acute distress was prevented only by the State and Federal work schemes and by the new forms of social assistance. It seems, therefore, that in the inter-war period private enterprise received a blow from which it could not recover by its own efforts ; and the more it had recourse to government aid, the more rapid was the transformation of the traditional individualist economy into something in the nature of a socialist economy.

To the crucial question of employment I shall return later. In the meanwhile I must deal with the correlative aspect of the economic process—the production of consumable commodities. Does the present system make adequate provision for the material needs of the population ? Does it, in other words, provide the right things in the right quantities ? And this question involves another one, namely, what do the leaders of industry conceive to be the needs of the population for whom they cater ? In seeking the answers to these questions we shall find ourselves doubting not so much whether the capitalist system *can* survive as whether it *ought* to survive ; for the economic problem is embedded in a moral problem.

As regards the provision of commodities we may begin by thinking about the elementary requirements of food, clothing, and shelter. In an efficient economic system these things would be readily available for everyone, whatever else was left unsupplied. Knowing as we do the enormous productive capacity of machine industry and scientific agriculture, we might be forgiven if we supposed that there should be no difficulty in providing everybody with the essentials of life. Yet, although in peace-time the counters at Woolworth's were loaded with articles of an astonishing

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variety and cheapness, a large part of the public who frequented them were insufficiently nourished. The recent inquiries into nutrition have shown that in none of even the so-called advanced industrial countries do the poorer classes obtain enough of the basic foods. In Britain milk, for instance, has to be distributed gratis or at reduced prices in order that our children may obtain the requisite amount. Nor is it unfair to recall that at the worst period of the depression of the 'thirties, when millions were under-nourished, if not actually starving, the business men could think of no better expedient than to destroy livestock and other forms of food for which there was, if you please, "no market." As regards housing, it is to be remembered that for years after 1918 the English working-classes were in dire need of living accommodation. Yet the demand failed to call forth the supply. The building industry frankly confessed itself powerless to meet the situation: at the level of prices then ruling the private builder found it impossible to produce a house or flat at a rent which the lowest-paid workers could afford. Eventually the job had to be done by the public authorities. All this, of course, is another way of saying that under the existing system the masses do not receive enough purchasing-power in the form of wages to enable them to buy the things that are potentially available; which, again, is another way of saying that no satisfactory bridge has yet been built to convey goods from the producer to the consumer.

What it all amounts to is that in a competitive system there is no general direction of production in accordance with human needs. The relative urgency of the demand for various products is indicated by the movement of prices and profits. The public "needs" what it "pays" the manufacturer to produce. But urgency of demand does

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not correspond to urgency of need unless all the members of the public have adequate purchasing-power : the fact that our poorer classes do not demand more milk means that they cannot afford it, not that they do not want it.

Another disturbing factor has, moreover, entered the situation with the development of modern industrial methods. The huge manufacturing units of to-day, with their extraordinarily efficient but expensive machinery, are capable of supplying commodities in quantities more than sufficient to meet normal demand. Owing to the costliness of the plant and the high overhead charges, the owners of factories must aim at continuous working. They cannot wait for orders to come in ; they must go out and get them. When they are threatened with having to stop their machines, they will not trouble themselves with ethical considerations about what the public really " needs." If the sales-curve shows that consumers appear not to need a particular article, they must be cajoled or badgered into needing it. The result is that to a considerable extent to-day needs are being adjusted to production rather than production to needs.

Here, it seems to me, we reach the essential charge to be brought against the capitalist system in its modern development. The colossal power released from nature and applied through the machines has got out of hand. It is not being used for the ordered satisfaction of human needs : production for meeting essential needs is often insufficient, whereas for supplying inessentials and luxuries it is excessive. While we were still in the age of scarcity, manufacturers worked to supply demand ; now in the age of potential plenty they set themselves to create demand. The poorer classes are still insufficiently supplied with the basic commodities, yet industry turns out enormous masses

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of things in the mere hope that they may be sold—things which we do not want and often ought not to want—things which we should never buy at all if all the forces of propaganda were not brought to bear on us. We are bludgeoned into buying by the advertisements which tell us every day that life will not be worth living if we are without refrigerators, "health foods," motor cars, cameras, electric razors, cosmetics, trade-marked armchairs, alcohol, seaside bungalows, electric washers, and so forth. The managers of publicity keep their loud-speakers at full blast to din into us that happiness consists in being cluttered up with quantities of standardized and nationally advertised goods.

Happily most of us have developed a certain amount of "sales resistance." But do we really appreciate what commercial publicity is in fact doing? The principle behind advertising campaigns and high-pressure salesmanship is in flat opposition to the simplest ethical law. Why then do we not denounce those who bombard us with sales-propaganda urging us to complicate life at every turn with unnecessary luxuries and superfluous mechanical contrivances? The Christian Church proclaims that man does not live by bread alone, and that a man's life consists not in the abundance of the things he possesses. Why do not the bishops lead a crusade against modern industrialism on the ground that it undermines Christian standards of life and falsely confounds the Age of Plenty with the Kingdom of God?

Our religious leaders were ready enough to protest against the materialism which was the official creed of contemporary Russia. But because there is no powerful body of explicitly materialist opinion in this country they do not seem to be alive to what is going on. The fact is that we are acquiring a materialist outlook as we are said to have

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acquired the British Empire—by accident. Owing to the saturation of markets, modern commercialism has become the exponent of a creed which sets up material possessions as the aim of life and the measure of happiness. Thus the materialism abroad among us to-day has little solid foundation in conviction ; it is a by-product of industry out of control.

This spirit is not less dangerous, however, because it enters our minds by the back door. It is time that those who foster it should become aware of what they are doing. They must be made to realize that their notion of man as an infinitely gullible creature providentially endowed with unbounded desires which it is the mission of modern business to stimulate and satisfy is not only mistaken but pernicious. They will then perhaps see that much of the effort now expended in our economic system is in every sense waste.

The disease of capitalism in its present phase is due, I repeat, to the conflict between the aims of big business and the elementary law of the good life. The symptom of the disease is the modern development of advertising. On this matter more must be said. The deluge of commercial propaganda from the Press, the hoardings, the cinema, and—in America—the radio has become so much a part of our daily lives that we miss its full significance. We do not adequately appreciate how the quality of our collective life must suffer from the fact that hundreds of thousands of people, at an annual cost of many millions of pounds, are engaged in the life-work of creating illusory values and giving meretricious attractiveness to dubious or false claims. We will concede, of course, that a certain part of advertising consists of straightforward announcements that clearly have social utility : we are now concerned with that sort of publicity which is an instrument of positive and aggressive

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persuasion. Little of this is beyond reproach ; much of it is objectionable ; and much of it is calculated dishonesty. With the cold precision of laboratory experiment the advertising expert analyses individual and group emotions, and proceeds to exploit them for his own purposes, or rather for the purposes of those who hire him. He plays upon this person's fear, that person's vanity, and the other's petty ambition, insidiously awakening desires where perhaps they had scarcely existed. He skilfully concocts pseudo-scientific twaddle to gull the more simple-minded of the public who believe that if a scientist has said it, it is so. He has not the slightest hesitation in providing attractive "copy" to prove that black is white : from recent advertisements for various drinks it would seem that alcohol is a positive aid to health, and not—as in our simplicity we used to think—merely a pleasant stimulant. He will palm off short-lived articles in the hope that you will buy and come again as soon as possible. He is without scruple in promoting the enormous sale of patent medicines (it is calculated that £5 million a year is spent on patent medicine advertising in this country). Here his crime is two-fold : not only does he offer a remedy of doubtful value at a dishonestly inflated price, but he encourages the ignorant and the fearful in the dangerous practice of treating their own ailments. In order to carry on his propaganda he has filled our towns with unsightly hoardings ; he has done his best to defile the countryside with the manifestos of commercialism ; and even our skies are with difficulty defended from his exploitation. He has invaded the newspapers and magazines, forced the owners to think almost entirely of circulation, debased the quality of journalism, and instituted a greater threat to the freedom of the Press than any democratic government dare contemplate ; and having done so,



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he has the effrontery to maintain that it is advertising that has given the public the boon of cheap reading matter.<sup>1</sup>

The advertising people tell us that modern industry cannot be carried on without publicity; and they have succeeded in persuading the manufacturers to be of their opinion. But if the leaders of industry openly admit that they cannot conduct their business without advertising campaigns, they are condemning themselves out of their own mouth. They confess that they cannot adjust supply to genuine demand; they are making huge quantities of unwanted goods that can be got rid of only by calculated exaggeration, false pretences, and deliberate lying. Further, to cover up their failure in economic adjustment, they are prepared to adopt measures which, if successful, will in the long run bring society under the yoke of the grossest materialism.

Here we are brought again to that aspect of the problem which, in the previous chapter, we discussed as fundamental. According to nineteenth-century principles the economic process formed an autonomous sphere of activity, and the ends to which it was directed were final ends. It is not surprising that, lacking an overruling social purpose, business tried to establish its limited values as supreme values. It is because economic aims have been without relation to moral aims that the marvellous technical developments of modern industry have failed to make a greater contribution to human welfare. Too many of those who have held the

<sup>1</sup> "The almost universal reading of magazines and newspapers has been made possible largely, if not solely, through advertising, since approximately three-fourths of the income of a periodical is derived from its advertising space. In this sense, the newspaper or magazine is practically a by-product of advertising. The trifling sum which is now charged for a newspaper or magazine—in comparison with the large sum which such newspaper or magazine would cost if it were not for the advertising which it carries—has made some form of reading matter available to even the poorest classes of persons." *Encyclopædia Britannica*, 14th ed., vol. I, p. 203.

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economic controls have been primarily interested in private gain or in technological progress for its own sake. The business man whose acknowledged and generally approved aim was "to make his pile" was typical of the earlier industrial era, in which, according to the accepted social theory, the general good was expected to emerge from individual selfishnesses. Later the purely acquisitive man of business tended to give way to the enthusiast for technological improvement, who saw and worked for an ideal of material prosperity for the human race, and who saw nothing beyond it. But whether the ideal was the attainment of personal wealth or the furtherance of economic development as part of the movement of "progress," the mistake was the same : the means were confused with the end. Economic activity makes no sense except in relation to the higher values of life.

The symbol of the perversion of the economic process from its true purpose is to be seen in the growth of the class of financiers managing the huge amounts of capital needed by large-scale industry. These men, the prime movers of the industrial machine, are not personally concerned in making things, or even in distributing things to consumers. Their occupation is to manipulate the counters of our monetary system. Remote in their palatial offices, they sign the documents and make the book-keeping entries enabling this enterprise to start and that to continue ; and whether the enterprise in question is to make gramophones, or machine-guns, or braces is a matter of complete indifference to them. They think in terms of money ; for them production is the instrument for securing interest on capital, not the means of supplying you and me with something we need.

Thus modern capitalism, in concentrating on money-

values, has taken up an attitude of indifference to the social consequences of economic developments. Big business, so far from subordinating its activities to a wider social purpose, has intruded itself into fields which do not belong to it. With disastrous results it has invaded the territory of culture. Those departments of literature, art, and entertainment that lend themselves to large-scale organization are brought under the control of financial interests and are operated by methods applicable to the manufacture and sale of standardized products. The most glaring example is, of course, the cinema. The commercial film is made on the same principles and with the same aim as the mass-produced car: the same technical skill which turns raw material into a smooth-working machine is employed to turn human actors into mechanically efficient puppets in a dramatic story of a kind which can be guaranteed to appeal to the widest possible public, and which, by the same token, can only by accident rise above the level of mediocre art.

It is significant that we now talk quite glibly and naturally about the "entertainment industry." Since entertainment is something that everybody needs in a greater or less degree, it is just the kind of commodity that lends itself to profitable investment; and large amounts of capital flow into professional sport, greyhound-racing, dance-halls, holiday camps, swimming-pools, ice-rinks, automatic amusement machines, wireless apparatus, and so on. Whether the individual would be better employed in providing for his own recreation than in submitting himself to mechanized pleasure-routine is a question which, so far as the financial manipulators are concerned, does not arise.

In our day not even literature escapes the net of finance. In the eighteenth century the publisher was a bookseller,

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and "bookseller" was his name; to-day the typical publisher is the chairman of a board of directors with the interests of shareholders to consider. I do not want to distort the picture. There are many publishing houses that conduct their business in accordance with the best traditions of private enterprise: their lists are not open to mercenary work of no literary merit. But not all publishers are so scrupulous. The enormous growth of the reading habit since the institution of compulsory education has opened up a market of sufficient size to tempt the gambler in best-sellers. The hope of making a lucky hit is the excuse for the publication of a good many books whose chief merit is that they give the advertisement copy-writer a chance to work up effective popular appeal. Every year scores of standardized romances come from the presses to be fed to the less intelligent readers of the circulating libraries. Books of quality are all too easily lost in the crowd of "popular successes." Moreover, in certain departments, such as biography and current affairs, the shoddy is too often palmed off as the genuine; for the common reader can scarcely be expected to distinguish between scholarly work and catch-penny vamping.

The entry of finance into the sphere of the newspaper and periodical Press has had results of the utmost social and political importance. The typical modern national journal is the product of huge capital investment, and in the discharge of its function of popular enlightenment it is governed by the same considerations as control any other big business corporation. It is closely linked, not to say bound, to the enormously powerful advertising interests. In the last few years financial manipulation has brought about various amalgamations in the English Press, so that the number and variety of London morning and evening

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papers have been greatly reduced ; and, further, the London syndicates are gradually swallowing the provincial Press. This concentration of the power of the Press into a very few syndicates representing extremely large accumulations of capital cannot be in the public interest. As regards the popular magazines, many of which are under the same financial control as the leading newspapers, it may be said that their aims and methods are similar to those of the cinema. Sincere fiction of genuine literary quality is above their normal requirements : their stories are standardized goods strictly adapted to the requirements of the market. Most of them are vehicles as much of advertising as of fiction ; and, especially in America, publicity pages constitute such an important element that their atmosphere penetrates into the imaginary world of the stories. Thus, through the pressure of finance, the popular newspapers and magazines are conforming more and more to the requirements of mass-selling as applied to the field of news-supply, education, and literary entertainment.

In this way the financial system associated with modern capitalism has a serious effect in lowering cultural standards. This charge is to be added to the indictment of the capitalist system already made on the grounds that it fails to provide adequate employment, and that the unco-ordinated efforts of profit-seeking individuals lead to wasteful and mis-directed production. The root cause of all these troubles, it must be repeated, is that the essential purpose of economic activity has been lost sight of. The economic order has come to be regarded not merely as autonomous but as all-inclusive.

The alternative to the present system is one in which private initiative submits to general direction imposed from

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above. But this alternative is still resisted by the typical industrialist and the man of business, even though they may be ready to accept a certain amount of State regulation as inevitable. They remain convinced that man's material needs to-day and in the future can best be served by an economic machine of which the motive-power is private profit. They realize that the machine requires adjustment and perhaps modification, but in their view it is essential to maintain individual enterprise operating under conditions of competition.

Let us briefly examine this point of view. The crucial test of the value of competitive enterprise at the present time is whether an economy which is in the main unplanned (except for the operation of price) can solve the problem of unemployment. Now so long as industry remains for the most part in the hands of independent and competing units in search of profit, the only conceivable way of making a considerable increase in the work available is by expanding production of capital goods and eventually of consumers' goods. So long as the position of private enterprise has to be secured, the scope and the amount of employment that can be provided through the State or local authorities are necessarily limited. Public initiation of work schemes inevitably involves control at some point ; and it is public control that the advocates of private enterprise wish to avoid. Let us suppose, then, that within a free economy it is intended to increase production with the purpose of curing unemployment. We must first remember that the tendency to-day is to make increased efficiency rather than increased labour-power the means of expanding production. The installation of improved machinery and the elimination of waste involve at any rate an initial displacement of labour ; hence a very considerable total expansion of pro-

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duction is necessary if the displaced workers are to be re-employed and also additional workers, previously unemployed, are to be given work. In order to bring about full employment of the population it would be necessary in the long run to add enormously to the volume of consumable goods.

But, of course, in a competitive society like our own such an expansion of production will not be undertaken unless individual producers can see a possible market for their goods. And the whole trouble has been that suitable markets are no longer available. Our own population is ceasing to grow, and countries formerly our customers are either becoming industrialized themselves, or are being supplied by our competitors, or are closed to us by political barriers. In theory there are still large parts of the world, including China, in which millions of people of a very low standard of life are only waiting to be supplied with the products of our factories. If those markets could be entered our difficulties might be removed. But two observations are necessary. First, we are rather lightly assuming the right to inflict on peoples of a primitive way of life or of a highly developed though alien culture the "blessings" of Western industrialism. Secondly, the flooding of these new markets with our goods would only postpone the issue we are now facing; our posterity would have to solve the problem that we shirk.

But by far the most attractive method of finding an outlet for greatly expanded production would be to put more purchasing-power in the hands of the masses of our own people. If, for instance, by some manipulation of the monetary system we could ensure that the workers' real wages increased as the total volume of consumable goods expanded, then there would be a potentially inex-

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haustible market within the nation. But note the consequence. In order to keep the wheels of industry turning, the consumer would have to buy ever larger quantities of commodities, whether he wanted them or not. To acquire material possessions on the largest possible scale would cease to be a personal option ; it would become a positive social duty.

The plea for greatly increased production through private enterprise, in conjunction with a policy of high wages, has been put forward most impressively in the writings of Henry Ford.<sup>1</sup> The great depression which supervened in the years shortly after the publication of his books somewhat tarnished his picture ; but a consideration of his point of view is instructive. As the most spectacularly successful of the great inventors and industrial innovators, he has a peculiar right to speak on the virtues of private enterprise ; and, as it happens, no-one is better worth listening to ; for, in addition to rare organizing capacity, he has an unusually alert, original, and independent mind. His object has never been to grab profits for himself : his dominant interest was first in making a motor car and then in organizing the business to manufacture it and sell it to the world. He has always set before himself the twin ideals of giving the public the best possible value at the lowest possible cost, and of giving his workpeople high wages and the greatest possible measure of security. When his mind roams beyond the confines of his own business he is full of ideas for improving the lot of humankind by the more economical and efficient use of the earth's resources. What, then, are his views on human welfare, and how far does he take us towards an answer to the questions we have been

<sup>1</sup> *My Life and Work*, and *To-day and To-morrow*, by Henry Ford in collaboration with Samuel Crowther (Heinemann). The seamy side of the Ford epic is displayed in Upton Sinclair's novel *The Flivver King* (Werner Laurie, 1938).



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asking : Superficially his message is this. If the industrialist keeps himself free from the interference of politicians and the drones of finance, if his primary aim is to give the public the best possible value for money, and if his policy is carried out by expert management based on high wages and the elimination of waste, he can become the agent of prosperity on a scale never before imagined. The proof of this argument is to be seen in the growth of the Ford Industries. In a sense, of course, Ford is doing in his factories just what the crudest exponent of mass-production and super-salesmanship is doing. He is seeking to turn out more and more cars and tractors at cheaper and cheaper prices for more and more customers. He apparently sees no limit to the market : at any rate, he will not talk about it. If he could reach the point at which every family in America and Europe had a Ford car, he would look forward to the time when every family had two. But, though he seems at times to take it too easily for granted that the greater the number of cars (preferably Fords) on the roads and of tractors on the farms the greater will be the sum of human happiness, this is not a fair interpretation of his attitude. When he says that the industrialist, by using efficient methods, can bring prosperity to mankind, he means by prosperity secure employment, high wages, and possession of those mechanical appliances which bring pleasure and alleviate toil.

But Ford strangely fails to see the implications of his own argument and his own practice. He wants the development of our material resources to be left in the hands of business men who mind their own business. What he is really pleading for, however, is not the supremacy of business method but the supremacy of efficient method. Moreover, the unit of organization which his theory and

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practice demand is not the individual business, however large, but the total national economy. This is proved by the process of expansion which the Ford Industries have themselves undergone. For what Ford considers to be strictly "business" reasons—saving costs, securing satisfactory and cheap transport, obtaining regular and certain deliveries of raw materials at a fair price, and so on—he has from time to time acquired his own forests and mines, built his own fleet of lake steamers, taken over a railroad, converted government dams into power plants, established the local growing of new crops such as flax, set up his own technical school, and even, by his wage policy, provided a proportion of his own customers. In other words, the business approaches the ultimate shape of a self-contained economy. Ford is now the head of a community of workers and their dependants equal in size to one of the smaller political States. On his own showing, therefore, the all-embracing efficiency that he seeks can come only from a collective organization of a kind to which private capitalism is essentially hostile. Ford pretends to believe that he is just a simple manufacturer of motor cars, and that all the wonderful ramifications of his business exist to serve this one purpose. Actually he is an extraordinarily fertile and successful experimenter in social organization.

If Ford were the economic dictator of the United States, if he received loyal support and could live long enough, he could undoubtedly create an American industrial and commercial system that would be a model of efficient working. In particular, I do not doubt that, with the enormous resources of his country still awaiting development, he would succeed in providing the whole employable population with work. Whether the working-classes under a Ford régime of uncompromisingly firm autocracy would find the

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discipline ultimately tolerable is another matter. My point is that Ford's ideas, while professedly confined to the world of business and receiving concrete illustration in his own business, really reach out to something far larger—to the full centralized organization of social and economic life for the common good. The precise co-ordination of effort, the exact adjustment of means to ends, the dovetailing of industries that his methods demand would necessitate, when applied on a national scale, an economic despotism controlled either by Ford himself as dictator, or by a bureaucracy thoroughly imbued with his ideas. In Ford's Utopia there would be no room for "business" as hitherto understood.

As a result of the developments of the last century we have got on to the wrong road. To pursue it to the end would be to lead mankind into the abyss of materialism. On the other hand, it is useless to think of retracing our steps to return to pre-industrial conditions. But we can turn aside along another path towards a society organized in a system offering fewer temptations to greed and sectional advantage, permitting better co-ordination of effort, and giving greater scope for the motive of social service. In such a society public control would replace competitive enterprise wherever it is desirable and practicable.

In suggesting such a change I am not forgetting what I have said already about the error of thinking in terms of systems. A change in spirit is essential; without that a change of system will avail us little. A society is not an abstraction or a machine; it is a body of individual human beings. What is achieved by means of any social apparatus depends on the men and women who use it and on the ideals they set themselves. The apparatus of public control

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can be as much misused as the apparatus of capitalism. The tyranny of capitalist employers is mildness itself compared with the tyranny of State control imposed to secure national self-sufficiency for military ends. And even in a State seeking peace there are no easy generalizations to be made about the virtues and vices of business men and public officials : the representative of business may be self-seeking, acquisitive, and unscrupulous ; the public official, on the other hand, may be idle and inefficient. Again, workers who are organized in soviets are not for that reason necessarily any better citizens than those who elect members of Parliament in the English fashion ; nor, if they collectively own the means of production, do they inevitably enjoy greater freedom and responsibility. To imagine that an enthusiastic minority have only to sweep away the old social framework and the multitude will spontaneously manifest a moral idealism adequate to the new task is to disregard the facts of human nature and to neglect all the teaching of the past. Unless it has a wide backing of developed moral force no scheme of reorganization will achieve the social good we desire.

That there is in fact a new spirit at work among many of those engaged in business and industry will hardly be denied. The crude acquisitiveness that marked the early industrial age is far less prevalent to-day, and it is certainly not accepted by normal opinion as natural and unobjectionable. The conception of industry and commerce as a public service is making headway. It is easy to point to a number of large firms that give as much thought to the comfort of their workpeople as to the making of profits. In the public corporations that have taken over a large area of economic activity in recent years the profit-motive entirely gives way to the motive of public service.

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Let me, however, interject a parenthesis. A spurious form of the idea of service has gained currency in the commercial world. Some years ago the advertising men got to hear of the word "service"; they splashed it about everywhere in their copy, and of course debased it; since when all professions of service from business sources are suspect. In the glorious days of *laissez-faire* the industrialists persuaded themselves that if they each sought their personal advantage the community would in the long run benefit; by a curious inversion, the present-day publicity agents seem to have convinced themselves that the provision of "service" to the public will redound to their personal advantage. Service with an *arrière-pensée* is barren. Nothing less than a genuine social spirit seeking first the good of all will bring a better society into being.

Certainly the change from a competitive to a publicly controlled economy would in itself assist the growth of the new spirit; it would encourage the development of an attitude resembling that which was normal in earlier times. Trade and manufacture have not always been so much a matter of personal gain and so little a matter of social service as they have become in modern times. We have only to remember what conditions were like in the typical town or village little more than a century ago. Here the industries and businesses were ordinarily carried on by independent individuals or families, or by masters having a few employees. These people did business with friends and neighbours, with local customers known to them, or perhaps with travelling factors who regularly took their work. The job they did was usually for a particular customer in whom they could take a personal interest; they obtained their materials locally to suit their special requirements. When they had made a wagon, or built

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a wall, or thatched a roof the results of their labour remained before their eyes and the eyes of others as a testimony to the quality of their workmanship. In these small and relatively simple communities the people were in a very obvious way working for one another, and the motive of social service could almost be taken for granted. Artisans and traders worked, of course, for "private profit"; but profit normally meant no more than the wages of skill and service. A good deal of this kind of work, in which independent individuals or firms supply the needs of personal customers, is still carried on, but with the rapid extension of urban centres, supplied mainly by large-scale manufacturers and distributors, it is ceasing to be typical.

We need not assume that people engaged in trade and industry to-day are as a whole naturally more selfish and grasping than were those in the smaller communities of an earlier time. What has happened is that the new conditions have put a premium on selfishness and sharp practice, created hitherto undreamt of opportunities for personal enrichment, and pushed the essential social purpose of industry into the background. The machine has multiplied profits just as it has multiplied goods; and it is not to be wondered at that those who have succeeded in business have been so dazzled by the prospective gains that they have seldom looked beyond them. The typical manufacturer or merchant of to-day supplies the needs of people whom he has never seen, and is never likely to see; when the goods have left his store-room he has no further concern with them. His aim is to make or sell certain articles in quantity, not to serve a known consumer. With the disappearance of the personal relationship between the maker and the customer it becomes more difficult to keep the spirit of social service alive.

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But not impossible. The tradesman of the older time rendered his service to an individual. The tradesman of to-day has to render his service to an abstraction called the public. In a moral sense more is required of him. More, too, is required of the official of an industry or service controlled by public authority. Both the private business man and the public official have to maintain standards of honesty and good workmanship even when they need not fear the accusing finger of their friends and neighbours. The business man has to remember that his job is to provide for the genuine needs of human beings and not merely to induce people to buy any sort of commodities that will put money in his pocket ; the public official has to realize that his purpose is not merely to do routine work which will bring him a salary. We cannot guarantee that such attitudes will become general under any new system that we may devise. All we can do is to create conditions in which the desire to make industry a form of essential social service shall have the best chance of developing.

## CHAPTER IV

### THE FRAMEWORK OF PUBLIC CONTROL

OUR analysis of the present phase of capitalism has brought us to the familiar conclusion that competitive enterprise should give place to public control. There has long been a large body of opinion in favour of such a transformation of the existing order. The only question has been how the change should be carried into effect.

In war-time the public control of production, finance, distribution and transport is accepted as a matter of course. In the war of 1914-18 the people of Britain had the experience of living under a system of State socialism ; but they regarded the situation as so abnormal and theoretically undesirable that they put an end to it as soon as possible. The special ministries set up to control essential supplies and services were dissolved when it was thought that private enterprise was ready to take over. Thus the opportunity of converting war-controls to the beneficent uses of peace was lost.

The exigencies of a second great war have once more imposed on our economy a system of State control even more drastic than that of 1914-18. For the second time, in the various new ministries and the multifarious special authorities set up throughout the country we have brought into being the machinery for a socialist State. How much of this machinery ought to be scrapped in the post-war period of reconstruction ? The desire to scrap it on principle will be far less widespread than it was after 1918 ; on the contrary, even in the more conservative quarters it is



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becoming fully realized that public control of some kind must replace the dispersed and unco-ordinated efforts of private business. But many people, including convinced supporters of the principle of socialisation, would doubt whether the kind of machinery established in war-time is the best that could be devised for securing public direction in time of peace. On purely practical grounds the highly centralized control of national life is open to considerable objection. What is wanted is a more elastic and adaptable system that would allow the power of initiative to be exercised elsewhere than in a few government departments. While, therefore, it may prove desirable to give some of the war-time ministries a permanent status, we may look to them to work out new and better methods of organization and administration than those which served the purposes of war.

The central problem of socialism has always been how to translate theory into practice ; and it is a problem which socialists have constantly evaded. Actually, however—and this is a point needing special emphasis—the difficulty of method no longer exists in a form to prevent a peaceful and fairly rapid transition from the old economy to the new. The means we require have been put into our hands by the developments of English economic life in the last few years. With our national genius for steering a middle course and achieving practical results without troubling overmuch about underlying theory, we have explored and mapped out a considerable part of the road to a socialized economy. Without entering on drastic schemes of expropriation or enforcing a set of doctrinaire principles we have experimented in the creation of a variety of economic institutions which blend in different proportions public control and private initiative : at one end of the scale we

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have the public corporation of the type of the British Broadcasting Corporation, and at the other end the instrument for the regulation and integration of a private industry as seen in the Cotton Industry Board. (I need say nothing of the Post Office, which remains as a worthy illustration of the older ideas of State socialism.) Of the new organizations the most successful and the most important from our point of view are the public service boards represented by the British Broadcasting Corporation, the Port of London Authority, the London Passenger Transport Board, and the Central Electricity Board. British Overseas Airways, established just before the war, has not yet had an opportunity to prove its quality as an administrative unit. These bodies have demonstrated how the acknowledged difficulties of straightforward State socialism can be avoided, how private interests can be eliminated or controlled without social conflict, and how public regulation can be reconciled with efficiency and flexibility of organization. Moreover—and this is a matter of great importance—they have won the approval of all parties. This was remarkably illustrated by the career of the Bill which set up the L.P.T.B.; it was introduced by a Labour Minister of Transport, carried further by his Liberal successor, and finally passed into law by a Conservative minister. It is noteworthy that the official Labour movement has put aside traditional State socialism in favour of State-controlled public utility authorities for the major industries and services.

The constitution of the statutory public service boards varies in detail, but in broad outline it is the same for all. Such a board is created by an Act of Parliament which lays down the scope of its activity, determines the method of appointing the governing body, and settles the financial terms on which the private capital already invested is to

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be absorbed. The board is granted a virtual monopoly within its area of activity ; and this area is given a national or regional basis in accordance with technical requirements. The board may not make a divisible profit ; but from its workings it has to meet the charges of interest and depreciation of capital. In its day-to-day working it is independent, and it is free to determine its general line of policy within the limits of its statutory authority. It usually has a considerable measure of financial autonomy. Ultimately these public corporations are under the control of Parliament, and in the case of the B.B.C., for instance, the Government reserves to itself the right to take over the transmitting stations in an emergency ; but in actual practice they receive parliamentary attention only when a discussion arises on a report or on an incident which has excited public interest. The principle is recognized that ministers cannot in fact accept responsibility for the detailed working of the public corporations nominally under the ægis of their departments ; the responsibility must be left in the hands of the administrators holding the executive positions. Some mistakes have been made in the constitutional arrangements for these bodies : the L.P.T.B., for instance, has been saddled with excessive financial burdens owing to the too generous treatment accorded to the shareholders of the original companies ; again, consumers' interests are not always sufficiently safeguarded. But even with such remediable imperfections the public service board has proved itself an invaluable instrument for economic reorganization.

In estimating the difficulties involved in the transference of industry from private to public control, it is important to realize that a very considerable area of our industrial activity has already been brought under public supervision

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either through the public service boards just described or through the older public utilities and municipal organizations for such services as gas, electricity, water, and local passenger transport. Further, the coal industry and the cotton industry,<sup>1</sup> while not taken out of the hands of private ownership, have been reorganized and put on the road to integration in efficient units by means of special legislation. Again, the various Agricultural Marketing Boards have come into being as a means of affording public assistance and regulation to an essential industry. Whereas, however, the public utilities win general approval, there is a good deal of criticism of the organizations set up for cotton, coal, and agriculture : in these cases the machinery is established for the benefit of private owners, control in the national interest is less effective, and the position of consumers is inadequately safeguarded. Such organizations, however, may be regarded as a stage on the road to effective public control.

It is also to be noted that, outside the area of State regulation, the more important private industries have been tending to organize themselves into larger and more efficient units and to replace the principle of competition by that of combination. Thus the British Iron and Steel Corporation co-ordinates the activities of the sectional associations, deals with schemes of bulk purchasing and marketing, and acts as the general negotiating authority. During the war, emergency legislation has greatly assisted this process of integration. In order to economize labour and factory space the Government has brought about the concentration of industries : the smaller firms have suspended business, and the manufacture of their products has been taken over

<sup>1</sup> The working of the newly established Cotton Industry Board was suspended by the war.

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by one or more large concerns. This tendency towards monopolies or quasi-monopolies may be considered dangerous from one point of view; on the other hand, it represents a movement towards better organization and greater efficiency, the benefits of which will be passed on to the general public, provided that the management of these enterprises is in the hands of public-spirited individuals. Moreover, as socialists have not been slow to realize, the integration of industries into large units will facilitate the passage to public control whenever it is decided upon.

Meanwhile the course of public policy is clearly set. We should proceed to a planned reorganization of the principal industries and services, making as wide a use as possible of the public service board. For the central direction of our economy a new organ of government must be created. For this purpose some important modification of our parliamentary machine may be necessary.

A definite plan for the reorganization of industry on these lines was worked out and ably advocated by Mr. Harold Macmillan, M.P., just before the war.<sup>1</sup> In outline his scheme was this. Certain industries and services which are of key importance to national life, and which obviously need to be governed by other considerations than mere profit-making, should be compulsorily brought under a form of public ownership and management, or a form of statutory control without public ownership. Other suitable industries should be invited and, if necessary, assisted to organize themselves in self-governing corporations under the statutory provision of an Enabling Act similar to that which set up the Cotton Industry Board. This Enabling Act would be permissive in character; it would grant statutory authority to a scheme of reorganization approved

<sup>1</sup> Harold Macmillan, M.P., *The Middle Way* (Macmillan, 1938).

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by a substantial majority of the members of the industry, and to the setting up of an Industrial Council to enforce a common policy; the powers conferred would enable the majority to coerce the minority who did not wish to come into the scheme. To meet the needs of reorganized industry Mr. Macmillan proposed important changes in the financial system. He argued that the Bank of England should be converted into a public corporation; it should cease to be governed by a board drawn almost entirely from banking and financial companies; the Governor and the Board should be appointed by the government and selected on account of the knowledge and ability that would fit them to direct financial operations to the greatest benefit of trade and industry as a whole. Further, he advocated the institution of a National Investment Board to regulate investment at home and abroad and to supervise the issues of loans for the Government; this Board might also provide facilities for the exchange of securities belonging to established enterprises, and in this way a method would be initiated whereby eventually the purely speculative dealings of the Stock Exchange could be abolished. In planning the structure of our national industry due regard would have to be paid to foreign trade: it would therefore be necessary to set up a Foreign Trade Authority to regulate imports and exports.

Mr. Macmillan's scheme is of particular interest as showing that, even before the cataclysm of 1939, the question of a thorough reorganization of our industrial system had been brought into the sphere of practical politics, and that by a politician who does not call himself a socialist.

As to the general controls mentioned in the above summary as necessary for a reorganized national economy,

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progressive opinion has long demanded that the banking and credit system should be taken out of private hands. State control of the monetary system and of investment is indeed the essential preliminary to any thorough-going reform. In the matter of foreign trade important developments have been brought about by the war. Imports and exports have passed almost entirely out of private hands into the sphere of State regulation.

It is impossible to indicate even roughly the order of magnitude of the changes involved, for publication of the oversea trade returns ceased at the end of 1940. But the scope of the import licensing system grew continuously, so that now almost the whole of the country's imports (in 1940 valued at £1,000,000,000) are for Government account or controlled by licence, the Ministries of Food and Supply having become enormous bulk-buying monopolies. In the export field the restrictions have become even more far-reaching.<sup>1</sup>

The continuance of these State controls will obviously be necessary for a considerable period after the war. Meanwhile it should be possible to work out a permanent scheme for the regulation of foreign trade.

There would be little disagreement as to the particular industries and services that should first be brought under unified development and public control. Transport is obviously ripe for such treatment. The governing body is already in existence in the Ministry of Transport. The experience gained in the national control of railways in two wars should make the unification of the main lines under a public service board a fairly simple matter. What is more difficult, but even more necessary, is the proper organization of road transport and its co-ordination with the railways. Nor should the canals be neglected: given a

<sup>1</sup> The "Times" *Annual Financial and Commercial Review*, Feb. 10, 1942.

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recognized place in the national transport system, they can still (as war experience has shown) render efficient service for special classes of goods. The co-ordination of all forms of transport for war purposes was undertaken by the War Transport Council set up by the Ministry of Transport in 1941. The national supervision of such industries as transport would not, of course, preclude subsidiary organization on a regional basis. Wise policy would avoid rigid plans and allow of considerable variety of method in accordance with special needs and circumstances.

Sea transport should also come under national control. We remember the plight of British shipping after the war of 1914-18 ; first, owing to the shrinkage of world trade it was a depressed industry ; later, it had to face intensified competition from foreign subsidized services. The companies were driven to the dubious expedients of scrapping tonnage and dismantling redundant shipyards ; and government assistance took the equally dubious form of subsidies. We must expect similar difficulties after the present war. It is most necessary, therefore, that the government controls established for war purposes should be retained in some permanent form. The organization of British Overseas Airways might be paralleled for shipping. Whether a separate Ministry of Shipping should be in control is a matter of practical organization to be settled in the light of experience.

The "nationalization" of the coal-mines is a long-standing demand. The coal industry has been the subject of so much State action, including the taking over of the mineral rights, that the elimination of competitive working and the establishment of a unified mining organization would be a natural development. It might be desirable to make coal-mining one branch of a publicly controlled



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Fuel Industry, which would include the oil industry. It seems probable that the dislocation of the coal trade caused for a second time by war may be decisive in bringing about full national control.

The State should acquire the mineral rights in connection with the various metals : mining and manufacture should be in the hands of public corporations. In the iron and steel industry competitive conditions have already been got rid of to a considerable extent by the development of a private monopoly.

Supplies of such essential foodstuffs as bread, potatoes, eggs, and milk should certainly be managed by non-profit-making organizations. Here distribution as well as production requires public control. Developments in this direction would have to be made in conjunction with general agricultural policy. Here again the question arises whether the war-time Ministry of Food should continue to function.

With regard to the building industry, one section of it had come under a large measure of public control in the years before 1939. In the provision of working-class houses the initiative came from public authority, though the work was undertaken by private firms. The ravages of war have set us a huge task of rebuilding in our towns, and the State, which has shouldered the financial burden, must necessarily assume general control of the work to be done. It is obvious that in the period of reconstruction the building trade will have to be specially organized to meet the demands made on it, and the play of the ordinary forces of competition in the supply of materials will have to be eliminated, or at any rate reduced to a minimum. The organization set up to meet the post-war emergency should be such as can be retained in later years to deal with the normal supply

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and renewal of housing accommodation. The production and supply of standard building materials might well be in the hands of one or more public corporations, the control of actual building being left to the local authorities.

The organization of British agriculture is a special problem, and one which cannot, of course, be settled satisfactorily until we have determined what part agriculture should play in the national economy. After 1931 a good deal was done by the government for the farmers, but it was in the nature of emergency assistance, and not the result of coherent policy. The State introduced protective tariffs, quotas, guaranteed prices, subsidies, and the provision of fertilisers. Parliament also established certain forms of collective organization through the various Marketing Boards. But these were producers' bodies representing exclusively the farmers; and the organization of farmers into bodies electing the various boards created a powerful political force liable to be exerted for purely sectional purposes. Such an arrangement is clearly unsatisfactory, and should be modified when farming returns to a peace-time basis. Meanwhile the needs of war-time have brought into existence elaborate official machinery for determining the crops to be grown, fixing prices, improving the soil, and generally securing the maximum output. It would be a tragedy if this framework of war organization were to be allowed to disappear so that peace-time farming should relapse into the hopeless conditions of small-scale individual enterprise trying to carry on with insufficient capital.

As soon as circumstances permit, the Marketing Boards should be transformed into public corporations appointed by the Ministry of Agriculture and made representative of national interests as a whole. This is particularly important in the case of the Milk Marketing Board, which was set

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up to supervise a vast business concerned with an essential food product. Marketing Board organization should also be extended to vegetables and fruit. Our urban masses are deprived of the necessary amount of fresh vegetables in their dietary owing to the high prices resulting from transport and marketing costs. In the matter of fruit, uncontrolled marketing leads to grotesque situations. The vagaries of our climate cause great fluctuations in the yield of the crops from year to year ; thus when there is a bad crop growers complain that they are ruined, and when there is a glut they have the same complaint because it is not worth their while to pick the fruit for the price they will obtain in the market. When nature is bountiful thousands of tons of food are allowed to rot in the orchards simply because of the lack of foresight and organization. The waste of the abundant plum harvest of 1942 was avoided because of government measures to pulp the fruit for later use in jam-making. What can be done in war-time can be done in peace-time ; but public arrangements must be in being to override the normal effects of supply and demand on price.

What of the ownership of agricultural land : Nationalization of the land is a familiar demand, and one which has acquired added urgency since the State has applied so much of the national capital to the task of reclaiming derelict land and improving the fertility of the soil generally. The State has, in fact, been doing for agricultural land what private landlords have usually lacked the resources to do. There is thus an increasingly strong case for national ownership. But, again, the essential question is how the theoretical principle, if accepted, should be translated into action. The case for national ownership was cogently argued from a purely practical standpoint by Lord Astor and Mr.

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B. Seeböhm Rowntree shortly before the war.<sup>1</sup> They pointed out that the State had recently had to take upon itself many of the responsibilities formerly discharged by private landlords: the Government was carrying on experiment and research; it provided finance for long-term improvements and subsidies for fertilisers and drainage works. In the matter of procedure, however, the authors were against a wholesale process of nationalization. They recommended that parcels of land should be gradually transferred to national ownership and administration. Such land as most needed capital investment would first be taken over. The task of buying land and discharging the function of the good landlord should be assigned to a special Land Improvement Commission, or preferably to Land Improvement Commissions for particular regions. The principle of the public service board would thus be applied to the maintenance and improvement of the soil.

Sir Daniel Hall,<sup>2</sup> writing from an equally practical and non-political point of view, has recently advocated State purchase of all agricultural land as the indispensable first step in the reorganization of agriculture. Having acquired the land, the State should carry out the duties of the good landlord through a Land Development Corporation, which would be a body of the public service board type. The actual farming would continue to be a matter of private enterprise on the basis of tenancy.

So far we have been considering the reorganization and integration of individual industries; and we have dealt with only the obvious cases. It is clear, however, that in carrying out a thorough reconstruction of our economic

<sup>1</sup> *British Agriculture*, 1938 (abridged and revised edition in Penguin Books, 1939).

<sup>2</sup> *Reconstruction and the Land* (Macmillan, 1941).

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system we must consider individual industries in relation to the whole economy. Unless there is a general outline-plan there will inevitably be difficulties due to the overlapping or conflict of powers ; and since the great industries use one another's products, the action of any one in the matter of price or output might seriously affect the others, to the detriment of the national interest. Sectional policies must be co-ordinated by some kind of central authority ; that is to say, ultimate control must be in the hands of a new organ of government to which we may conveniently give the name of the National Economic Council.

Here we are faced with a problem of considerable practical difficulty. About the need for such an authority there has been fairly general agreement for some time. Even in normal times the economic questions which occupy so much of the attention of Parliament to-day cannot be satisfactorily dealt with by the traditional machinery ; as they increase in technical complexity they become less and less suitable for general debate by non-experts ; and more serious than this is the fact that they are handled by several different ministries with no proper method of securing concerted action. The most patent defect in government action is the failure to keep related problems under survey as a whole, and to initiate policy in such a way as to keep ahead of events. Obviously, then, present methods would not serve if we embarked on any drastic transformation of the industrial system.

The planning authority for such a purpose would need not only advisory but very extensive executive powers. When necessary, it would have to speak with the full authority of government. In no other way could the public will be made effective against the powerful sectional interests whose policies had to be brought into line. The

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kind of obstruction to be reckoned with was exemplified during the protracted Parliamentary proceedings leading to the passage of the Coal Act of 1938. The repeatedly successful efforts of the coalowners to extort concessions from the Government so as to evade the application of that part of the Bill which laid on them the duty of arranging necessary amalgamations provoked Sir Arthur Salter to write to *The Times* to the following effect :

We are by successive Acts, with regard to agriculture, electricity, and other industries, building up a completely new economic system in this country. The State gives special assistance to private enterprise and attempts to give corresponding protection to the public. Personally, I should prefer such a system to a complete State Socialism which would exclude private enterprise from all our great industries—if it can be justly devised and enforced. It is, however, an essential condition that the government should govern—and that the State which is thus associated with private enterprise should be the servant of the public as a whole (with industry occupying its due place as a part of the public, but no more), and not the servant of organized sectional interests. In case after case it is not being so applied. The workers' interests are ignored ; the public safeguards are made nugatory. The State is captured by sectional interests and made their instrument. . . .

If governments cannot govern, a mixed system of State assistance and supervision—the alternative to the replacement of private enterprise by State Socialism—becomes indefensible.<sup>1</sup>

Evidently a National Economic Council invested with insufficient powers would be worse than useless.

The need for a central planning authority is provided for in Mr. Macmillan's scheme.<sup>2</sup> As the instrument of co-ordination he would set up an Economic Council including representatives of every government department concerned with economic policy ; representatives of the

<sup>1</sup> *The Times*, February 9, 1938.

<sup>2</sup> *The Middle Way*, ch. XIII.

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Bank of England, the Investment Board, and the Foreign Trade Board; representatives of employers' and trade union organizations; and experts in economics and other sciences. He thinks of the council as meeting under the chairmanship of a Minister of Economics, who would rank among the most important ministers in close touch with the Prime Minister. It would include all the ministers responsible for departments concerned with economic matters—the Treasury, the Board of Trade, the Board of Agriculture, and the Ministry of Labour. Mr. Macmillan has in view a reorganization of ministerial departments under which the Ministry of Economics would be one of the four chief ministries, the others being Foreign Affairs, Defence, and Social Services.

Readers of Mr. Macmillan's account of the powers and duties of the National Economic Council will not accuse him of underrating the importance of this body in the scheme of government. I think, however, that he may underestimate the seriousness of the impact of this new organ on the existing political structure of the State. The innovation could hardly be brought about without raising a constitutional issue of the first importance. It is no doubt partly for this reason that governments have been so reluctant to tackle the problem. The power and the comprehensive scope of the proposed Ministry of Economics would ultimately be such as to give it precedence over all other departments. The difficulty would be to adjust its relations to the supreme political authority and to ensure its due subordination. The relative importance of economic affairs in the modern State is fully recognized by Señor de Madariaga in his suggested outline of a revised constitution for a democratic State:<sup>1</sup> he makes the economic order

<sup>1</sup> S. de Madariaga: *Anarchy or Hierarchy* (Allen and Unwin, 1937).

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autonomous in its own sphere, though ultimately under the control of the elected political authority. Such a separation would be easier in theory than in practice. But the question need not be pursued here. All I would suggest is that in contemplating the institution of a national planning authority we must be prepared to undertake a considerable modification of Parliamentary machinery. After all, we can hardly expect our organs of government to retain for ever the form they assumed at a time when the business of Parliament was far more limited in amount, and far simpler in character than it is now. There is no reason to suppose that, if a bold step forward were taken, the resulting political problem would prove insoluble.

A further word should be said about the nature of the control to be exerted by the National Economic Council. We have spoken of a "general plan" for industry. It need not be supposed that the Council would work out an all-embracing schedule of production to be imposed from above on all working units. Its task would be rather to lay down the general lines of policy, and to see that these various schemes of development were not in conflict. Its action would be positive rather than restrictive. It would keep the national economy under constant review as a whole. Much of the prejudice that has grown up against State supervision of industry has been due to defects of policy which are remediable. In the past, government planning has been piecemeal in character. The State has intervened in the affairs of a particular industry because critical conditions made rescue work imperative, and the intervention has taken the form of hasty improvisation. Sometimes, as in the case of British agriculture, legislation has been passed to put a protective fence round particular groups of producers with the result that they have been given a privileged



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position as against the public of consumers. What has been done for any one industry has had no necessary relation to the needs of allied or complementary industries. Whether a particular industry has received any attention at all has generally depended on its success in organizing pressure. The directing authority of the future must be strong enough to resist pressure groups ; it must look ahead, foresee trends, and take the initiative in the interest of the community as a whole.

The immediate task of this authority would be to bring into being the new public service boards for those industries and services that are ripe for such reorganization. This would involve a very considerable further imposition of public control upon the present area of private enterprise. There would be no intention, however, of occupying the whole area. A certain field would ultimately be reserved for profit-making enterprise. As to this, I propose to say more in subsequent chapters. For the moment it is sufficient to emphasize that the future economy that we envisage will be of the mixed type : publicly owned or controlled enterprises and private businesses will work side by side, the whole being under the general direction of the National Economic Council.

Can such a mixed economy be made to work ? Some reply must be made to those who think that a *laissez-faire* system is workable, and a fully planned system is workable, but that in attempting a mixture of both we shall fall between two stools. After the experience of official controls for war purposes few people would be prepared to maintain that the amount of State supervision we propose would be impracticable from a purely administrative point of view. Would the mixed system break down through the incompatibility of its parts ? The matter has been recently

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discussed by Professor Eugene Staley in a very able and impartial survey of present-day trends in world economics.<sup>1</sup> He notes that widely divergent systems exist in the world to-day, varying from free competitive enterprise to full collectivism, and he takes it for granted that the world economy of the future will be "mixed" in two senses: private enterprise and public control of varying degrees will coexist within individual nations, and they will also coexist as between nations. Examining the problem in this double aspect, Professor Staley comes to the conclusion that the mixed system can be made to work satisfactorily provided that certain principles are observed. First, there must be adequate control of the monetary system and of the relation of savings to investment. Secondly, State planning must be positive rather than restrictive; that is, it must promote adjustments to new situations created by discoveries, inventions, and developments abroad. "For example, if planning is directed to the defensive and restrictive end of maintaining the colonial market for an obsolescent British textile industry, a process of readjustment which ought to lead to better social use of resources is indefinitely postponed. Positive planning would meet the situation by allowing the production of textiles in Japan to increase, though not under the artificial stimulus of an extreme devaluation of the currency, and would replace some of Britain's textile production by production of machinery and other articles requiring a higher level of industrial skill and experience." Thirdly, the means used by the State in intervening in economic life should be such as are compatible with the methods of the market system. Thus tariffs are preferable to quotas; for whereas a tariff

<sup>1</sup> Eugene Staley: *World Economy in Transition* (Council on Foreign Relations, New York, 1939), pp. 179-87.

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can be taken into a merchant's calculations as an element in his costs, the imposition of a quota throws the price mechanism out of gear, and in effect destroys the market system. Fourthly, in the market sector of the mixed economy competition must prevail : if private monopoly is allowed to develop, the social benefits of private enterprise tend to disappear. Finally, where it is desirable to organize a particular industry on monopoly lines, care must be taken to subordinate the monopoly to effective public control.

There is thus good ground for supposing that the mixed economy could be successfully managed in both the national and the international sphere. As a form of organization a system in which public control was supreme and exerted its influence through deliberate and far-sighted planning ought to be superior to the present blend of private enterprise and haphazard, unco-ordinated State intervention. It will, in fact, be superior only if it is properly used ; and its proper use will depend on the national spirit as expressed through Parliament and through the supervising economic authority acting as the instrument of Parliament. Unless those in charge of policy keep before themselves the wider social purposes that economic effort is to subserve, the new organization will prove a vain thing.

## CHAPTER V

### THE PROFIT MOTIVE IN THE FUTURE

IN its total effect the economic transformation that has been sketched will amount to a revolution. It can be carried out as quickly or as slowly as we choose. Obviously the sooner the changes can be made the better ; but it is essential that we should move with—even if in advance of—public opinion, and not against it. We may, therefore, have to proceed with some deliberation and caution. On the other hand, after the cataclysm of war sweeping changes will meet with far less opposition than in settled times ; the public will indeed welcome a bold policy promising to create that better world they have been led to hope for during the weary time of conflict.

But I fear that the evolutionary method waiting on the conversion of a public majority to a certain way of thinking will not commend itself to some of the keenest social reformers ; they will want a shorter cut to the millennium. Many minds, impatient of the long-drawn process of peaceful change, find a great temptation in the rapid *coup d'état* followed by a period of the strong hand. The temptation is likely to be all the greater in the time of chaos through which the world is passing. It is therefore necessary to repeat in season and out of season that the way to social progress does not lie through violence, or the kind of coercion equivalent to violence ; but that, on the contrary, in the long run the greatest good will be achieved by methods that provoke least opposition. The kind of society

we desire can never be created by the violent usurpation of power by a class or group. The spirit of co-operation is not born of the clash of hostile political parties animated by class hatred and seeking to impose their will by force. The spectacle of the material havoc and spiritual misery wrought by the devil of force in the world of our time should have sufficiently brought home to us the criminal futility of intolerance and violence. But unfortunately men are slow to learn essential moral truths.

Since we are concerned in this discussion even more with principles than with concrete plans, I make no apology for dwelling for a moment on the principle of peaceful change, which is as important in national as in international affairs. Some of the wisest words on the subject have been said by Aldous Huxley in *Ends and Means*.<sup>1</sup> Starting from the axiom, so obvious and yet so generally forgotten, that the nature of the means employed determines the nature of the ends gained, he argues that "a violent revolution cannot achieve anything except the inevitable results of violence," which are hatred and the conflict of force. In the cases in which violence seems to lead to social progress, he says, the desirable end is really gained by subsequent compensatory acts of justice and goodwill by the victorious party; and thus the same result might have been achieved by exercising justice and goodwill in the first instance, so that the violence would have been unnecessary. It follows, therefore, that "to carry through a social reform which, in the given historical circumstances, will create so much opposition as to necessitate the use of violence is criminally rash. For the chances are that any reform which requires violence for its imposition will not only fail to produce the good results anticipated, but will actually make matters

<sup>1</sup> Chatto and Windus, 1937.

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worse than they were before." Further, the political reformer should remember that the natural conservatism of most human beings is an important factor in the situation with which he has to deal. He will be less likely to provoke the kind of opposition tempting him to use violence if he preserves those elements in the existing order that are valuable, and even those that are neither particularly harmful nor particularly valuable. His wisest plan will be to take over principles and methods already accepted and apply them to a wider field.

The scheme of industrial reorganization based on public service boards and similar institutions is wholly in accord with these principles. It proceeds by developing elements already in existence and generally approved; it not only avoids immediate class conflict, but it is unlikely in the future to generate violent hostility due to the overthrow of cherished ideas or institutions.

There is one important matter, however, which needs further consideration in the light of the principles just mentioned; and that is the place to be reserved for private profit in the new order. This will evidently require delicate handling. To make a clean sweep of private profit could scarcely fail to provoke the resentment and bad feeling we wish to avoid. There could be no more certain and violent shock to the ordinary man's conservatism than to deprive him of the chance of securing the rewards customarily associated with successful enterprise. There will, of course, have to be interference with the individual's traditional rights in this respect; but before we take the extreme measures commonly advocated, we might ask ourselves whether they are really necessary. The search for profit, we are told, is the radical evil of capitalism; if so, there is nothing for it but to root it

out. But it is possible that its significance has been exaggerated by a muddled emotionalism. It is worth while to get clear about it.

In trying to look at the matter without prejudice we should first consider the term "profit motive," which we have to use so frequently. Discussion of the profit motive is generally based on a delusive simplification. The desire for profit is obviously not the sole motive-force in private enterprise ; people undertake burdens and risks as industrial and commercial leaders for all sorts of reasons, good and bad. One man is frankly out to make a fortune ; another wants to exercise his gifts as an organizer ; a third is anxious to give the public the benefit of an invention ; a fourth is a mere gambler ; a fifth inherits a place in a family business, and does his job as a matter of course ; and so on. In most cases, naturally, the motives of the individual are mixed. The desire for personal enrichment may count for a great deal ; but it is surely untrue to the facts to assume that a business-owner is necessarily wholly selfish, and that his bank balance represents tainted money.

In this matter of the rights and wrongs of the profit motive in industry counsel has been darkened by the clouds of communist propaganda. I do not think it would be an exaggeration to say that nowadays most progressive, politically-minded people, especially those who are outside the world of industry and commerce, start with a prejudice against the principle of private profit : they feel that there is something morally wrong in conducting a business for profit. They have become so familiarized with the idea of the capitalist as an "exploiter" who "filches" his profits from the labour and skill of the toiling masses that they are almost ready to believe that even the nicest church-going employer has a hard streak in him somewhere, and might

at any moment be detected in the act of grinding the faces of the poor.

This notion of the moral stigma attaching to profit-making is derived no doubt partly from the practice of the less reputable employers of to-day and partly from the memories of the enormities committed by the early owners of mines and factories ; but in so far as it is related to economic ideas it is the result of the conscious or unconscious assimilation of the Marxian doctrine of surplus value. The central economic theory of Marx is that the value of a commodity is determined by the amount of labour required in its production. The only commodity that the worker has to sell is his labour-power ; and this labour-power has the peculiar quality of being able, in the course of producing other commodities, to create a value greater than itself. The value of labour-power itself is determined by the quantity of labour required for its production, that is, by the quantity of labour required to ensure the worker's subsistence. But in the day's work the labourer is able to produce more than enough for the subsistence of himself and his family. Yet the capitalist merely pays him a subsistence wage ; the rest of the product he keeps for himself. This "surplus value," of which the capitalist robs the labourer, forms the fund providing rent, interest, and profits. Thus the essential relationship between capitalist and labourer is that of exploiter and exploited. Marx's long exposition of this thesis suffers from a vagueness and inconsistency which his friendly interpreters do their best to explain away. We need not, however, examine the theory in any detail. It is enough to record that it is not generally regarded as sound by competent economists. But even if the surplus value theory were accepted, it must be admitted that the filching process is so concealed in the



wages transaction that the fair-dealing employer who has not studied Marx would never be aware of it. Such a shaky abstract doctrine hardly provides just ground for holding the capitalist up to obloquy. The Marxian doctrine, indeed, has exerted its influence not through its theoretical cogency but through its aptness for popularization in simple emotional terms. Reduced to a crude justification for the struggle of the oppressed against the oppressors, it was turned into a powerful lever of public opinion, with results to which the widespread prejudice against profit-making, even amongst the intelligent, bears ample witness. There has been, heaven knows, exploitation enough of the working classes by capitalist employers. But in the vulgarized Marxian theory concerning the essential and inevitable antagonism between the two classes we have yet another example of the vice of transferring responsibility from persons to abstractions. One might have thought that sufficient explanation of man's inhumanity to man could be found in ordinary human wickedness. But when we are sufficiently bemused by theory we seek our explanation not in the hearts of the profit-makers but in the principle of profit itself.

If we reject the Marxian theory of value, is there any other ground on which to condemn the taking of profit as morally unjustifiable? The moral question seems fairly simple when posed in connection with the early nineteenth-century type of business in which a single capitalist was the owner and the manager. It could be claimed with reason that he had personally earned the income that remained over after he had paid the primary expenses of production: it represented payment for the use of capital, for the work of management, and for risk-taking. (We must assume for the moment that he gave satisfactory conditions of

work to his employees.) The matter becomes more difficult, however, when we look at the typical modern business, which is a joint-stock company depending on capital supplied by a multitude of shareholders. The profit of such an organization may be taken as that part of the gross receipts that remains over after the overhead expenses, the cost of labour and management, the cost of materials and maintenance of plant, and the debenture interest have been met. Some of this surplus is probably put to "reserves"; the residue goes to the shareholders in the form of dividends. The profits or dividends paid to the shareholders may exceed the rate of interest for fixed interest bonds, but they carry corresponding risk. In the joint-stock companies the owners become shadowy figures. The effective owners are indeed hard to find, and in any case they probably limit their activities to financial supervision and have no direct share in the technical management: this latter service is performed by salaried officials. The multitude of stockholders take no part in the conduct of the business unless something goes wrong; then they may turn up at a general meeting to make their views heard. They have of course provided the capital without which the enterprise could not have been started. Have they any other title to the profits that come to them? Do these profits contain any unnecessary or undeserved payment? On this point the economists disagree. Those who are hostile to the system regard profits as a forced gain resulting from the fact that capitalist entrepreneurs, especially when organized, are in a superior bargaining position in the market: they buy labour (whether of hand or brain) cheap and sell their product dear. On the other hand, economists with a conservative bias regard profits above the market rate of interest as payments for the special judgment

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and business aptitude of those who invest in the enterprise and as compensation for the risk involved.

Is it, perhaps, high rate of profit rather than profit as such that is morally reprehensible? Let us examine the point in some detail. Lord Stamp stated the conditions that may lead to high profits, and considered them in the light of ethical principles.<sup>1</sup> I here follow his line of thought. A business man may see and grasp an opportunity, which others miss, of supplying a commodity or service beneficial to the public. If he scores a "winner," he may make a large fortune—perhaps quite out of proportion to the function he performs. But every one of his customers has benefited from his enterprise, so that his profits have not been made "out of" them. To whom then do they equitably belong if not to him? It may be said that the social organization as a whole has made them possible, and therefore society alone can justly claim them. In Lord Stamp's view it is not necessarily wise to insist on this claim. Again, high profits may be the result of special ability. A commodity sells at a market price that is just adequate to cover the costs of the least efficient firms producing it. If a particular firm making it is managed with exceptional skill, costs are lowered and the profits may be raised considerably. To whom does the surplus rightly belong if not to the able directors of the business? The workers have no tenable claim to it, for they receive the same pay for the same work throughout the industry. It is difficult, therefore, to raise convincing ethical objections to the retention of high profits by business men who make the most of opportunity or display conspicuous ability. When the same results come from sheer hard work nobody is likely to object; but this alone seldom produces large

<sup>1</sup> Lord Stamp, *Christianity and Economics* (Macmillan, 1939).

rewards. There are two other causes of high profits, however, which seem less defensible ethically. One is the existence of a favourable time-factor. Suppose a factory is built immediately after some innovation in machinery or procedure : it is obviously at an advantage compared to the older factories having plant adapted to the earlier process. In this case it might be said that the surplus should belong to all the producers alike. A similar advantage accrues when, say, a mine happens to be nearer than its rivals to a market. These two examples illustrate the kind of accidental advantages that cannot be eliminated in a price-economy. But in none of these cases—if we assume that the businesses have been run honestly—can we say with any certainty that the high profits ought to belong to anyone other than the owners of the business.

This argument of Lord Stamp's, while sound as far as it goes, does not seem to me to go far enough. It is drawn from the narrow conception of an economy as a self-contained system. What he says amounts to this : that in an economic system regulated by price we must expect a certain proportion of businesses to make an exceptionally high rate of profit, sometimes through managerial skill and sometimes chiefly as a result of fortunate circumstances ; and that even when the high earnings are due most conspicuously to luck, we cannot clearly point to anyone who has a more rightful claim than those who run the business. He admits the fact that every business enterprise, however well managed, is not an isolated unit but depends on the co-operation of many hands and minds outside itself ; yet he thinks we should not stress this to the point of refusing to allow the successful business man to retain high profits—presumably because we should otherwise weaken the power of individual initiative to the detriment of economic pro-

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gress. I should myself give much more weight to the fact of the essentially co-operative character of all production, and should therefore emphasize the claim of society as a whole to a proportion, if not all, of exceptional profits. And if we look at the economic system, not as pursuing final ends, but as contributing to the fulfilment of the wider purposes of humanity, we must think of the individual business not merely as an instrument for providing a surplus divisible among various possible claimants but as a means serving the general purpose of distributing the wealth of the community in the best possible way. Now I take the view that it is not to the good of society that there should be very great inequality in wealth between the citizens. Therefore I should say that a business producing very high profits for a few individuals—whether by luck or by good management—must be regarded as doing a social disservice by causing a maldistribution of income. There is thus a valid ethical claim that some of the surplus profits should be put back into the common pool.

I should in consequence sum up this discussion of the ethics of private profit in the following way. The selfish pursuit of profit as the chief end of life is plainly immoral. The taking of excessive profits is undesirable because it leads to the concentration of wealth in a few hands and thus produces great social inequality and class-feeling. The kind of excess profit that results from monopoly or artificially induced scarcity is indefensible, for it implies that the community is being held to ransom. The owner of passive capital who accepts income from investments for which he does not work may be condemned as a drone. The speculator who makes his winnings out of the ups and downs of the market should receive the moral censure accorded to every other gambler. But it is not easy to see

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why the capitalist who earns a reasonable percentage of profit from the active management of an honestly run business should be regarded differently from an employee who receives a salary for labour and skill. What may with justice be maintained is that the competitive, profit-making system is more likely to foster human cupidity and cunning than is a system depending on other motives. But then, fundamentally, we are accusing human frailty.

But if all this argumentation is to have more than an academic interest and is to be a guide to political action, the point we must bear in mind is the absence of a clear-cut conclusion to which all would subscribe. The average man of business, if he happens to trouble himself at all about the ethics of private profit, sees the academic disputants ranged on both sides of the fence. It is not surprising therefore that he should decide to stick to his instinctive belief that there is nothing essentially wrong in the principle of private profit, and that he is justified in taking all the profits he can honestly come by. This is the prevalent attitude with which the social reformer will have to contend for some time to come.

It must not be forgotten, moreover, that profit is the correlative of private initiative. In spite of the vast amount of propaganda in modern times in favour of socialization in its various forms, there can be no doubt that the feeling remains very widespread that private initiative in business enterprise is not merely unobjectionable but positively necessary as an element in human liberty. The mass of mankind still feel that their freedom to extract the maximum value out of the experience of life would be intolerably curtailed if they were not allowed to engage in any enterprise outside the ambit of official control. The strength of this sentiment accounts in part for the slow headway made by thorough-going socialist schemes in spite of their logical

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attractiveness, and we must certainly take account of it in applying our principle of avoiding actions which are bound to provoke general opposition.

Our conclusion, then, must be that in making the broad change from private to public control it will be both unnecessary and undesirable to exclude private profit-making enterprise altogether. Subject to due regulation, it can be allowed limited scope in an area in which it will not interfere with the socialized industries. It will find its proper place in the luxury trades, in new industries while still in the experimental and the expanding stages, and in small scattered businesses of a kind that do not lend themselves to big-scale organization. The individual craftsman with a particular gift and the merchant who can command goods of a special quality will always be sure of finding discriminating customers. In such a field there will be scope for those who prefer risk and adventure to the security of work in a public or quasi-public service ; and the community will receive the benefit of their energy and resourcefulness.

There is no reason why, in suitable cases, particularly in the earlier stages of the transition, private enterprise should not be closely linked with public service. In our public housing and slum clearance schemes this mixed method has been followed. The schemes have been initiated, prepared, and directed by the local authorities, but the actual work of building has been done by private firms. The task could not have been undertaken by such firms unaided, for at the rents charged for the new houses or flats there would have been no margin of profit. The same conditions will obtain in most of the schemes coming under the heading of public works. In them, therefore, the alliance of public initiative with private undertaking is natural and convenient.

## CHAPTER VI

### COMMERCE AND CULTURE

IN thinking about economic operations there is a natural tendency to limit one's consideration to transactions in material commodities. But in the system of private enterprise intellectual and "creative" activities are also treated as subject to the ordinary "economic laws." In the last chapter we considered what part of industry should be reserved for private enterprise in the new order. We may well go on to inquire to what extent original work of the intellect or the imagination should be dependent for its reward on market valuations. It may be that the economic side of literature, science, the fine arts, and the arts of entertainment will be regarded as less urgently in need of attention than the matters so far dealt with. But if our interest goes beyond material progress to the essential quality of our culture, we cannot neglect this question. I shall therefore devote this chapter to it, although I may have to stray somewhat from the path of immediate practicality.

The most obvious feature of the higher intellectual and creative activities is that they are essentially manifestations of individuality. They are the flowering of personal initiative in the atmosphere of liberty. Thus every work of art, every discovery in science, and every adventure in thought may be regarded as the expression of private enterprise in its noblest form. It might seem, therefore, that the most fitting way of disposing of the fruits of the work of intellect and imagination would be some form of



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private contract : in such a connection the centralized, highly organized methods of collectivism would appeal to nobody but the doctrinaire communist. Actually, under the capitalist régime, the products of special talent and genius have been allowed to find a market value in the same way as any other goods, and the producers of them have drawn their livelihood from private profit. Unfortunately, however, for the success of this system, creators are endowed with a peculiar degree of disinterestedness which leads to a certain indifference to monetary reward, and which makes them obstinately write the poem or paint the picture that they like rather than the poem or the picture that is most saleable. Thus it has been the regular complaint of writers and artists who have lacked the popular touch that genius is crushed by the burden of economic necessity. Of course, there have been times when literary men and artists have relied on the pensions of private patrons rather than on the support of the general public. Whether it is a less irksome task to please the private patron than the many-headed multitude, I do not know.

No doubt it is a reproach to our civilization that we have devised no better way of rewarding the higher forms of human activity than by submitting them to the hazards of the market-place. But it is easier to make the criticism than to say how the situation can be satisfactorily altered. There is always, of course, the facile solution of a State bounty to talent : it has often been suggested that creative minds should receive public endowment setting them free from ordinary economic limitations. While such a plan could be applied without much trouble in really outstanding cases, there would remain a serious difficulty in connection with the many candidates for endowment whose worth was a matter of controversy. How should we decide

whether a particular candidate deserved a pension ? The market-price of creative work may not be a satisfactory index of value, but where shall we find one that is very much better ? We know that there are painters and novelists and poets of genuine quality who can never live by the sale of their work ; we also know that there are painters and novelists and poets of very dubious quality who, having enough worldly wisdom to make themselves the centre of an influential clique, might very well be successful applicants for State assistance. Perhaps the State should err on the side of generosity and support even doubtful geniuses so that no genuine specimen may be lost. On the other hand, there is obvious danger to the arts in direct State patronage. Moreover, to free the artist from the need to appeal to a wide audience is often to deprive him of a discipline that is not without value. To-day, especially, we suffer too much from the esoteric artist who deliberately shuts himself up in his private world of symbols and apparently considers it a point of honour to make no appeal whatever to the generality of the public.

Thus, on a general view, the question is by no means simple ; and it will not be found any easier of solution when examined in more detail. Take first the serious practitioner in literature. At present he reaches the public through the private publisher and usually receives as payment a percentage of the selling-price of the book. The present publishing system has its defects, especially since the recent growth of excessive competition ; but I do not think it can be charged with inefficiency as a means of giving the output of authorship to the world. The very number and variety of the publishing houses is a guarantee of the free play of opinion. Further, it ensures the maximum opportunity for anything of merit to find its way into print ;

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for even when nine publishers have rejected a book, there is always a chance that the tenth will take it. Moreover, the typical publisher has a professional view of his work, and is generally prepared to take a commercial risk in connection with a book of real value. But what of the author's reward for his work? In this respect the system is certainly not so satisfactory. But, speaking as an author, I find it difficult to think of a better. It is very unlikely that from the royalties on the sale of this book I shall receive a sum that will adequately remunerate me for the time and thought that I have given to it; but I should be hard put to it to draw up a fair bill of costs; and I do not know what right I have to demand that anybody in particular should settle such a bill if I presented it. Actually, I suppose it would be true to say that few writers of serious books outside fiction and "belles-lettres" rely solely on authorship as a means of livelihood. In any case, what is the alternative to commercial publishing? A State Publishing Department? I confess that I do not care for the idea.<sup>1</sup>

The position of the fine arts is complicated by the changing conception of the function of art in the community. In the last century the arts had come to be regarded as occupying a special sphere far removed from the commonplace realities of everyday life. The typical artist produced easel pictures or pieces of sculpture intended for the collections of connoisseurs, for the public galleries, or for the houses of wealthy people for whom the possession of a

<sup>1</sup> Individualism in the publishing business is not incompatible with co-operative methods on the selling side. This was shown after the fire raid on the City of London in January, 1941, when the premises of a number of publishers were damaged or destroyed. Messrs. Simpkin Marshall, who had for years acted as an important intermediary between publishers and booksellers, lost the whole of their enormous stock of books. Shortly afterwards the Publishers' Association arranged to take over the business of Messrs. Simpkin Marshall on behalf of the book trade, and to run it as a co-operative company not operating for profit.

certain amount of painted canvas or carved marble was a recognized form of "conspicuous waste." If he emerged from his romantic isolation into the ordinary world it was to deal in portraiture, for which there was a constant demand. He was completely out of sympathy with the new industrialism, and he shrank with natural horror from the ugliness and sordidness that seemed to be its inevitable accompaniment. On the other hand, the strictly utilitarian outlook of the contemporary industrialist excluded the idea that art should have any part in shaping the new material order being brought into existence. Thus the artist seemed to have every reason to retire to his private world where he could realize his dreams of beauty—usually in terms of a sham mediævalism. If he was without private means he was necessarily dependent for his livelihood on the rich customer. To-day the pursuit of art is still widely thought of as the production of beautiful objects for the few who can devote to house decoration sums running into hundreds of guineas; and the numerous firms of art dealers are evidence that a market of this kind still exists. But it has long been a diminishing market owing both to economic changes and to changes in taste; and the artist who works solely for it finds it more and more difficult to make a living. So long, however, as a class of wealthy patrons remains there will be a call for costly works of art, and a certain number of artists will find it possible to live by the sale of their productions at market prices.

But fortunately we are awakening to a new conception of the purpose of art. While recognizing that art for the select few has its place in the scheme of things, we are coming to see that the noblest function of professional art is to bring beauty into the daily life of the whole community—to give the charm of design to the things we use

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for ordinary purposes, to render our houses pleasant to look at both within and without, and to make our towns an inspiration to fine living. The individual talent of architect, sculptor, and painter can find its highest expression in the work of transforming our material environment so as to make the pleasure of colour and design a normal element in the lives of all. The new desire for art "in widest commonalty spread" shows itself in the town planning movement and in the encouragement of industrial design. The pioneer was William Morris. But he made the mistake of regarding machine-production as the irreconcilable enemy of art, and of endeavouring to re-establish the individual craftsmanship of the past. We now see that art applied to industry must find expression through the machine and not in opposition to it. The new principles of industrial design, moreover, are not dependent on any particular form of economic organization; they are being applied both in competitive and in public enterprise. They are in evidence, for instance, in the architecture of the modern factory built by a private firm as well as in the new telephone exchange erected by the Post Office. But there is this to be said: whereas the new factory conspicuously placed on the arterial road tends towards the architectural stridency thought to be demanded by good advertising, the telephone exchange can be content with the sober dignity consistent with higher artistic quality.

As the area of competitive enterprise dwindles and more and more economic activity comes under public control, amenity and good design can be given ever-increasing importance. When the traditional false distinction between the "fine arts" and the "applied arts" has been broken down, the artist will have far greater scope than ever before; and, what is more, he will be assured of a livelihood, for

he will take a recognized place in the economic process, and will be remunerated like any other professional worker. To this extent the problem already referred to will be solved. There will be no need to provide the artist with a public bounty ; he will be given something far better, namely, public employment.

Long before the movement for art in industry had made much practical progress, so-called "commercial art" was with us. This was chiefly the product of the large-scale advertising which had become a characteristic feature of competitive industry. Many a draughtsman and painter who could not now make a living on the lines pursued by the Victorian artist has found well-paid employment in commercial propaganda. Stimulated by a purpose to be served and a problem to be solved, the publicity artist frequently produces work of high artistic quality ; in fact, some of the posters and Press drawings are among the best pictorial work of our time. This is only to be expected. For if artistic ability is to accomplish anything of value, it must be harnessed to a purpose. In an earlier period it was set to embellish churches or decorate the mansions of the nobility ; in our time—unfortunately, we may say—the only insistent demand for the services of the artist has come from the advertiser. The artist with the right temperament has been able to accept the conditions and make a commonplace commercial theme the means to high artistic expression. But it is obvious that there is little inspiration to be derived from the common run of advertising matter, and the bulk of "commercial art" is necessarily hack-work of the most deadening kind. As to the economic position of commercial artists, it is fitting that they should work on the same terms as the other employees of industry. Most of them are employed in studios either of middlemen

or of the firms who use their work. If these conditions are irksome, it should be possible for artists to organize themselves on a co-operative basis. But it is to be hoped that with a more rationally ordered economic system a drastic reduction will be made in the amount of advertising, so that artistic ability will be able to find an outlet in more worthy directions.

The position of the scientist and the abstract thinker in such commercially unproductive subjects as mathematics and philosophy is less difficult. They could well be provided for by the better organization and endowment of research departments at the universities. At present, owing to lack of money and lack of co-ordination, a considerable amount of intellectual ability is allowed to go to waste.<sup>1</sup> The universities might well make a clearer separation than at present between their teaching side and their research side, and in the latter they might give places to a number of people of exceptional ability who should be called upon to do little or no regular teaching. Workers in the field of applied science should profit by the integration of the big industries in public corporations. The resources and the outlook of these institutions should put research work on a sound and secure basis affording wide opportunities to individual scientists.

On its economic side, as we have said, serious literature and art is a form of small-scale private enterprise. The commercial arrangements affect the individual writer or artist, but they need not to any great extent affect the quality of his work. The conditions may make it often difficult, but never impossible, for the artist to maintain his integrity. The case is far different, however, with those forms of popular literature and art that are being exploited by big

<sup>1</sup> See J. D. Bernal : *The Social Function of Science* (Routledge, 1939).

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business. Here intellectual and artistic ability is being systematically degraded by employment for purely commercial ends, with the natural results on the cultural health of the community. As I have already pointed out, investors in search of profits have not been slow to realize that the present-day urban masses—with the rudiments of education, a fair amount of leisure, and some money to spend on amusement—form a huge market waiting to be supplied with pre-digested mental pabulum, and more especially with entertainment. When the means of supply came to hand through the cheapening and improvement of printing and the mechanization of pictorial and musical expression, the sphere of popular enlightenment and entertainment became "ripe for development" on mass-production lines. The commercial manager got to work; he provided a constant supply of material adapted to the lower levels of intelligence and thus calculated to reach the widest possible market; and the effect has been the consistent depression of cultural standards.

Here, then, is a dilemma. In topical commentary, in fiction and other forms of popular literature, in theatrical and musical entertainment we have a field peculiarly suited to the exercise of individual talent by the method of private enterprise. It is a field in which variety, independence, and sincerity count for everything, and in which the individual must have sufficient room to move about and make himself felt. Now this field has been invaded by capitalist enterprise of a kind that either crushes individuality or grooms it into a standardized product, and conducts its business, not in the interests of popular culture, but for the profit of investors.

Can private enterprise be preserved in this area and at the same time be freed from the incubus of capitalist



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exploitation? If not, what is the alternative? The enthusiast for collectivism will resort at once, of course, to the panacea of State control. But this solution is derived from the assumption we have refused to accept, namely, that all profit-making enterprise is pernicious; moreover, when you have said "State control," you have still to give it meaning in terms of practical organization. I doubt if there is any one simple solution of this kind. Varied treatment would be necessary for different departments of the activities we are considering.

As regards the standards of popular literature the onus of responsibility does not lie mainly with the publishers of books. Although there is an immense number of readers of books to-day, the number of buyers of books is relatively small. Certainly, the consumers of the mass-produced standardized literary product do not buy books; they may borrow books, but they buy magazines. Thus the market for the unscrupulous book-publisher with purely commercial aims is restricted, and may have already reached its limit. The financial manipulator anxious to make big money out of popular culture finds his best field in the periodicals which nowadays flood the bookstalls. Here there is a very strong case for public action. A potent educational force is being exerted by agencies that are not merely irresponsible and self-seeking but are themselves tied to the propaganda interests of advertising. But as most of the chief popular periodicals are owned by one or other of the big newspaper corporations, we may reserve discussion of them till we consider the daily Press itself.

Meanwhile we may say a word about the arts of entertainment through drama and music. Here the evil consists in the purely commercial and often syndicated control of most of the big theatres in London and the provinces. The

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West End theatres have come to be used for the most blatant speculative enterprises: stories of the ex-button-manufacturer and others who have backed their fancy in a musical show are now familiar. Theatres run primarily in the interests of shareholders or speculators will always be open to drama or entertainment guaranteed to have wide popular appeal, but they will generally be closed to either first-rate art or experimental work. But it is not only in the theatres of the larger cities that financial interests are involved; commercial agents control the companies touring the country with the standardized musical shows and the feebler seasonal successes from the West End. If the State were sufficiently interested, I suppose it would be possible to limit the amount of capital invested in any given theatrical enterprise. But the best method of checking the commercial debasement of the theatre is probably to encourage the higher sorts of dramatic activity by every possible means wherever they are to be found; and in the provinces they are usually to be found in the repertory companies and other small independent ventures eking out a precarious existence with little money and much hard work. The necessary encouragement can be given by the State or by local communities; though I think that the public aid should be of such a kind as to stimulate but not kill private initiative. In the capital there is room for a State-subsidized National Theatre to do honour to the classics of the stage, and to afford opportunities for particularly risky experimental work. There is also a case for subsidized opera and ballet owing to the high cost of performances of this kind—though the vitality of Sadler's Wells makes one wonder whether vast expenditure is really necessary. Towns of any size might maintain municipal playhouses, letting them on easy terms to suitable acting companies, or even installing

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repertory companies of their own. By the interchange of companies a circuit system could be introduced. Thus by the judicious application of public assistance the living theatre could be given stability, and the acting profession would find a certain sphere in which it would have the security that it lacks at present.

The cinema needs special treatment. The facts about it are simple. It is one of the most potent cultural influences of our time. For the greater part of the population the weekly visit to the pictures is regarded as a necessity. Yet the cinema is completely in the hands of finance, and by its very nature it must be so. The film-industry is based on vast personnel and very large apparatus and equipment which cannot be supplied without great capital resources. There is no room for the small, independent artist-producer in the film studios : everybody there must think in terms of box-office appeal. The State maintains an extensive education service for both children and adults. While at school the children of to-day receive formal education from the teacher and informal education from the cinema, and for most of them when they leave school the cinema forms one of the main channels of culture. The moral and intellectual standards set up by the cinema and the sort of influence it brings to bear on the millions who regularly visit it are determined ultimately by nothing higher than commercial considerations. The fact is too obvious to need labouring. But if its full implications are accepted, it is impossible to acquiesce in the present position. The case for public control of the cinema industry is overwhelming.

We come now to the question of the Press. The daily newspapers constitute for the masses the chief form of reading matter. They are studied by large numbers of people who read nothing else. In supplying news and

commentary on the news they perform a vital political function in a democracy. The popular dailies, in providing a large amount of entertainment of a kind formerly considered the province of the magazines, exercise an important cultural influence. The Press of to-day is a monumental example of the effects of capital investment and financial manipulation on a great instrument of public enlightenment. Like the cinema, the Press has become an "industry." It is, in fact, one of our major industries, and it is still growing.

In the 1935 Census of Production, the printing and publication of newspapers and periodicals stood twelfth in order of value and net output, and twenty-fifth in respect of the number of persons employed. This was quite apart from the newsprint industry, which produces raw materials for newspapers, and the 100,000 or more persons engaged in distribution or canvassing. With a net output of £37½ million in 1935, the Press exceeded the two great heavy industries of shipbuilding and the rolling and smelting of iron and steel, as well as the chemical and boot and shoe trades, and came very close to the woollen and worsted and cotton industries. As an employer of labour the newspaper and periodical industry is of the same order of importance as silk and artificial silk, shipbuilding, and chemicals, dyestuffs and drugs, providing work for nearly 80,000 persons on the production side in 1935.<sup>1</sup>

On this great industry, working primarily for commercial ends, devolves a function on which democracy depends for its life. Free political institutions are impossible without a free Press. Yet it is clear that in connection with the huge corporations controlling the newspapers of to-day the freedom of the Press means little more than the freedom of a very few Press magnates to direct policy within the limits allowed them by the demands of their shareholders and of the advertisers from whom they derive at least half

<sup>1</sup> P.E.P.: *Report on the British Press*, 1938, pp. 43-44.

of their revenue. For freedom of a genuine kind we must look rather to the smaller weekly, monthly, and quarterly organs of opinion, and to the considerable amount of privately printed propaganda literature. Newspapers, therefore, as at present controlled, have forfeited the special claim they once had to freedom from public supervision ; they have, in fact, raised in an acute form the question whether a community that values its free institutions can continue to leave such powerful forces in irresponsible hands.

Although there has been a good deal of frank criticism of the Press in recent years, it is not easy to get the subject ventilated as it should be. In particular, there is on the part of those best qualified to speak a marked reluctance to put forward definite proposals for reform. It is not surprising that the Press should not give publicity to criticisms of itself. Nor is it surprising that writers for whom Press notices have a commercial value, and public men whose career the Press can do much to make or mar, should walk delicately in this matter. But the issues are so serious that nothing should be allowed to stand in the way of the fullest discussion.

One hoped much from Mr. Wickham Steed in his recent essay.<sup>1</sup> He, of all people, does not lack frankness and courage. In the matter of information and in the preliminaries of discussion one was not disappointed. Mr. Steed knows too much about journalism, and is too good a liberal not to see and be alarmed at the dangers to democracy arising from recent developments in the daily Press. He asks all the right questions ; for instance :

Does an industrialized Press leave journalists much chance to work as most of them would wish to work ? Can they, in serving a public unwilling to heed principles or ideas—as distinguished from

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<sup>1</sup> Wickham Steed : *The Press* (Penguin Books, 1938).

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the episodic or the pictorial aspects of life—find scope for their idealism? As things are, is not the temptation or, perhaps, the proprietorial pressure upon them to serve up stuff that will "sell the paper" too strong to be withstood? When the biggest circulations and the largest incomes from advertisements go to journals of small educational value, can journalists decline to follow the line of least resistance? Not all of them are moral heroes; may they not be decent fellows without quarrelling with their bread and butter?

He even quotes the satirical lines of Humbert Wolfe in his *Uncelestial City* (with the qualification that they would apply rather to the proprietor than to the working journalist):

You cannot hope  
to bribe or twist,  
thank God! the  
British journalist.

But seeing what  
the man will do  
unbribed, there's  
no occasion to.

And in the postscript of his book (October 14, 1938) he gives a damning example of what is so often denied by people connected with the Press—the restraining influence of the advertising interests:

On the early afternoon of Sunday, October 9, the German Dictator, Herr Hitler, fortified by the Munich Agreement and by the scrap of paper which he and the British Prime Minister had signed, publicly told Great Britain to mind her own business and not to meddle with Germany's business; and, on pain of German displeasure, he placed a veto upon the return to office of three prominent British public men.

When this news was broadcast on the evening of Sunday, October 9, the whole nation was moved to wrath. Of the depth of its wrath hardly a hint was given next morning in the leading

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British newspapers, some of which were almost apologetic. Inquiry into this humiliating behaviour on the part of our "free Press" elicited the information that certain large advertising agents had warned journals for which they provide much revenue that advertisements would be withheld from them should they "play up" the international crisis and cause an alarm which was "bad for trade."

Thus throughout his book Mr. Steed raises doubts with a cogency that provokes certainties in the reader's mind. But when we look for a remedy for the deplorable state of affairs he reveals, he offers us nothing better than reliance on the essential uprightness and good sense of the British journalist, fortified by the support of "trustworthy educators of public opinion." Can it be that Mr. Steed's liberalism has become set at the stage at which any interference with the private ownership of the Press is unthinkable?

Another liberal political thinker who has recently dealt with the subject of the Press is Señor de Madariaga. His views command the respect due to his philosophic detachment and his long experience of international politics. He is not afraid to pursue his criticism of the Press to its logical conclusion. In his account of the political and economic organization of modern liberal democracy in *Anarchy or Hierarchy* he writes :

Nothing but the gradual character of the evolution which has brought the Press to the position which it occupies in contemporary society can explain the amazing fact that the most important organ of public life should be left to the vagaries and hazards of private ownership. Yet an explanation is not a justification. What should we think of a nation which allowed its Parliament to be appointed by a few private individuals and run for profit? Yet the Press, which, in political life, is nearly as important as, and sometimes more important than, Parliament, is entirely in the hands of a few individuals and is run for profit.

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And again :

There are countries in which organizations of news and publicity based on the Press have more power than governments and parliaments, and in all liberal democracies the Press is a substantially constitutional problem which would not have remained beyond the boundaries of the Constitution if it had not been made taboo precisely because of the power of the Press and of the fear it puts in the hearts of politicians.<sup>1</sup>

Having laid down the principle that public control of the Press is essential in a democratic State, Señor de Madariaga makes positive proposals to that end. He recognizes, of course, that in view of the difficulty of the subject his scheme can be only tentative ; and as he is writing about democracy in general, it is necessary to adapt his proposals to the special circumstances of any particular country. He thinks that for a solution of the problem it is necessary to distinguish three aspects of the Press : the Press as an industry, the Press as an agency for distributing news, and the Press as a forum of opinion. That side of the Press which is an industry engaged in manufacturing and printing the article called a newspaper he would organize in a single public corporation (in Great Britain it could be a public service board of the type with which we are familiar). This corporation would also make the contracts with advertisers, the profits of which would offset the cost of the unit of production impartially as regards the political colour of the various papers manufactured ; in this way the influence of the advertisers on the editorial departments would be minimized. As for the Press in its second aspect, Señor de Madariaga proposes to set up a news agency managed by a group of men chosen from amongst all political parties for their impartiality and independence of

<sup>1</sup> *Anarchy or Hierarchy* (Allen and Unwin, 1937), pp. 66-67, 68.



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judgment. This agency would be granted by the State a capital sum once and for all, so that its finances would be independent of the national budget. It would put its information free of charge at the disposal of all the newspapers in the country. It would be organized on a guild basis, and the journalists employed in it would belong to a closed profession enforcing recognized standards of qualifications. On this last point there will, I think, be general agreement. The profession of journalism ought to be given a status in consonance with the duties it is called upon to perform ; its members should be properly qualified, and have the conditions of freedom and security appropriate to a public service. The Press in its third aspect—as a forum of opinion—presents the most difficult problem of all. It would not be desirable to put the interpretation and commentary on the news in the hands of an autonomous guild ; the responsibility laid on the professional workers concerned would be too great. A possible plan would be to place the newspapers of the country at the disposal of political parties or cultural associations, each of which would be free to appoint the editorial staff of its own paper.

Señor de Madariaga says nothing about the entertainment side of the newspaper, no doubt because he does not regard entertainment of the kind so conspicuous in the popular paper as the proper business of an organ of news. There is much to be said for relegating it to the magazine, where it properly belongs. The inflation of newspapers with magazine material in recent years has been merely one of the means employed to force up circulation in order to secure greater advertising revenue.

If matter of purely entertainment value were excluded from the newspaper, the importance of the popular magazines, already very great, would be increased. At present

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the most widely circulated of these periodicals are in the hands of the big newspaper syndicates, and they are subject to the same influences as are the newspapers. It is clearly desirable that they should remain in private hands so long as the virtues of private enterprise are not nullified by the vices of commercialism. This means that they ought to sell on their merits as entertainment, and they should be freed from the influences causing them to seek increased circulation by appealing to the weaker side of human nature. If, as in Señor de Madariaga's scheme, the editorial side of the magazine were independent of the manufacturing and publicity side, there would certainly be less strain on the social responsibility of the proprietors than there is now. Limitation of profits might be a way of keeping the cruder commercial motives within bounds. Whether such partial measures would be sufficient to rid popular magazine literature of the worst effects of competitive commercialism would remain to be seen.

It would be wrong to leave the subject without a reference to the *Report on the British Press*, by P.E.P. (Political and Economic Planning). This is an invaluable factual and critical study. In its recommendations for the reform of the Press, however—perhaps because it is a committee-document—it fails to give a lead. It discusses academically a number of possible ways of curing admitted evils, rejecting most of them as undesirable or impracticable, and disclaiming urgency for any of them on the ground that public opinion is not yet ripe for the support of far-reaching proposals. It bases rather stronger hopes than seem to be warranted by the facts on the growing sense of social responsibility in the leaders of the Press and a future willingness on their part to put their house in order before being forced to do so by State interference. Of the possible

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methods of reform discussed the Report gives special prominence to two. The first is to institute newspapers owned co-operatively by either their readers or their staff. The second, which is similar to Señor de Madariaga's proposal, is to place the manufacturing plant for newspapers under public ownership, and to put the conduct of the newspapers in independent hands. If the physical equipment of newspapers were thus owned by a public trust, and non-journalistic forms of competition (such as canvassing with gifts) were abolished, the virtual monopoly of newspaper enterprise now held by those who dispose of large amounts of capital would be broken. Funds for experiment with new papers could be provided by a regular charge on the revenues of the trust. As a means of insulating the editorial departments from advertising pressure, the Report suggests the possibility of setting up a co-operative central office through which alone all display advertising space might be booked in the participating journals ; it is careful to insist, however, that this is nowhere near practical politics at present.

The tone of rather excessive caution that pervades P.E.P.'s recommendations makes it clear that the immediate need is to awaken public opinion to the dangers inherent in the present day Press system. The only solutions of the problem are necessarily drastic ; but solutions exist if we are bold enough to take them. Meanwhile, I conceive the purpose of my comments to be to help in spreading the conviction that the Press cannot satisfactorily play the part required of it in a self-governing community so long as it is in the hands of irresponsible individuals who subordinate its social function to the commercial demands of a huge profit-making and highly competitive industry.

## CHAPTER VII

# UNEMPLOYMENT : THE SUPREME SOCIAL EVIL

### *General Principles*

It is not too much to say that the economic system of the future will stand or fall by its capacity to provide something like full employment for the population. When unemployment became acute in Great Britain after the first world war, it could be plausibly attributed to causes especially affecting this country, and at first it was generally regarded as a passing phase. Then came the great depression. Severe unemployment became a world problem. Investigation into causes showed the operation of a number of factors, but failed to reveal any convincing general explanation. That the trouble was deep-seated was indicated by the amount of unemployment in various countries even before the depression : in the period of relative prosperity immediately before 1929 there were over one and a half millions of unemployed in Great Britain, one and three-quarter millions in Germany, one and a half millions in Russia, about half a million in Italy, and two to three millions in the United States.<sup>1</sup> It seems clear, in fact, that serious unemployment is not a temporary malady of modern industrial society : it has become a chronic disease. The upheaval of the second world war can only aggravate it to a degree that cannot be foreseen.

What is certain is that no other social evil in the years

<sup>1</sup> Royal Institute of International Affairs : *Unemployment : An International Problem* (Oxford Univ. Press, 1935), p. 332.

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immediately ahead will be as grave as that of unemployment. It will therefore be necessary at all costs to provide a remedy. Now we shall not be able to do this unless we adopt a different attitude in the matter from the one we have taken up in the past. We must rid our minds of the idea that a large hard core of unemployment is to be accepted as a regrettable but inevitable feature of modern industrialism—an idea that was fostered in the twenty years' inter-war period in which successive governments remained impotent in the face of a national calamity. The fact that there were in our midst two million or more idle workers gradually lost its power to startle our attention; we looked at the depressed areas with their thousands of skilled men who had not worked for years, and had no hope of ever working at their trade again, and with a word of sympathy we turned away. Certain palliatives and local remedial measures were tried, but no large-scale policy going to the roots of the trouble and promising a genuine cure was ever properly considered. We allowed those millions of workers and their dependants to live for years in miserable poverty with little, if any, hope of ever emerging from it. If it was difficult to rouse ourselves from this state of feeble acquiescence during a time of relative (if only relative) stability, it may be far harder in the period of international dislocation that lies before us.

It was not merely that we had a wrong attitude towards the men out of work; we had, I fear, a wrong attitude to work itself. We forgot the spiritual value—the spiritual necessity—of work. When we promoted half-hearted schemes to relieve the unemployed, we thought more of giving them an income of sorts than of giving them work. "Work or maintenance" was a demand that evaded the real issue. To the normal person life is without meaning if

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he cannot exercise his powers in doing something that he feels to be useful to himself and the community. We are too apt to forget that when a man is deprived of suitable work he loses not only the material benefit of wages, but the spiritual benefit of satisfying activity. When the tide of economic depression swept the country after the first world war, conditions deteriorated so rapidly that emergency measures had to be introduced to prevent widespread starvation. It was then that the "dole" was adopted. This measure, involving payment for idleness, was necessary at the time ; but it was dangerous, and should never have been regarded as a permanent solution of the problem of long-term unemployment. In the years that followed, the public conscience was uneasy. But it was never stirred to the point of forcing the government to take resolute action. The public conscience was salved by the thought that, although the unemployed were in a wretched plight, they were at least receiving a subsistence-allowance, and they would not starve.

They would not starve. Let us pause a moment and reflect. These millions of our countrymen were living all this time in such penury through continued or intermittent unemployment that they could never get outside the bonds of material necessity. Their future was either dark with hopelessness or clouded with insecurity. They could plan nothing for themselves or their children. Their pride of independence was destroyed. They felt they had no place in the world ; society did not want their hands or their brains ; it would throw them a crust and leave them to live out a useless life as best they could. Many endured these conditions with fortitude, and even struggled out of them. The weaker minority were crushed, and adapted themselves to the rôle of idle, paid dependants of the community.

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Now we ought to inquire how it was that the kindly, well-disposed people who form the bulk of the nation could come to acquiesce in such a state of affairs. We all, of course, tend after a time to become callous to the human suffering that is continually before us ; and in this particular case no constructive proposals for ending it were produced to stir the imagination. But I think the explanation goes deeper : it lies in public feeling about work itself. There is a very widespread idea to-day that work is an evil, or at least a disagreeable necessity. Enjoyment is looked for not in work but in leisure. By the great majority who are not engaged in what is generally called " creative work " the daily hours spent in workshop or office tend to be regarded as a mere interruption in the life which is really lived in the evenings and at the week-end.

Such a feeling is in some respects a natural legacy of the days when the doom " In the sweat of thy brow shalt thou eat bread " was for the majority of mankind literally fulfilled. In the pre-machine age, when the human muscle was the chief source of power, there was much brute toil of such physically exhausting and dehumanising character that it could scarcely be regarded otherwise than as an evil. Its virtual abolition was the great service that the invention of power-driven machinery performed for mankind. There is very little of it left in the modern industrialized community. Nor does the modern worker suffer from the intolerably long hours which made work a burden a generation or two ago. But, it is urged, if work to-day is physically less laborious and less burdensome in its duration, it has for a large class of people acquired a monotony which kills pleasure. While this is in the main true, it is well to remember that the amount of machine repetition-work relative to other kinds of work is not so large as many social

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theorists seem to assume.<sup>1</sup> Moreover, monotony is not a new feature of work. The old farm-workers, who formed the majority of the population before the Industrial Revolution, found little variety in hoeing a field of turnips; and it is doubtful whether the cottagers got any more interest and pleasure out of the homecrafts of spinning and weaving than the modern machine-minders do. It may be that another reason for the failing interest in work as such is the impossibility of reconciling much business activity to-day with any ideal of social service. Workers who are engaged in either making the multitude of useless and shoddy articles or trying to force their sale—workers in the various quasi-professional parasitic occupations that now contrive through skilful propaganda to sell their more or less spurious services—these can scarcely feel that the day's routine is productive of much personal satisfaction.

Such may be partial explanations. More important, however, is the effect on the mass mind of the romantic picture now so often painted of the life of unlimited leisure promised by the full exploitation of the machine. In human nature the desire for ease—not to call it laziness—co-exists with the desire for purposeful activity, and it is not difficult to stimulate the one at the expense of the other. It is also our human weakness to imagine that happiness is to be found in any other conditions than those we happen to be in at the moment, and particularly in those of the future. It is not surprising, therefore, that there should be a very general belief that mechanized humanity is travelling towards a Promised Land in which everybody will secure a full and happy life with no more than three hours' work a day. This belief has been encouraged by the intellectual heirs of nineteenth-century æstheticism, who look down on

<sup>1</sup> See Stuart Chase : *Machines and Men* (Cape, 1929).



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the humdrum labours of the butcher, the baker, and the candlestick-maker as of the earth earthy, and imagine that the mass of mankind are yearning for a life in which the sordid apparatus of mere living is kept as much as possible out of sight, and in which they will be free to devote themselves to self-expression in the arts and crafts. With such influences at work it is understandable that the Gospel of Work according to Carlyle and Samuel Smiles should be somewhat blown upon.

Now I cannot help thinking that it is partly because we are getting into the habit of regarding work as the evil and leisure as the good that we have ceased to be as shocked as we ought to be at the tragedy of unemployment. The men without work at least have an unlimited amount of this desirable leisure. Are they missing so very much after all? I do not say that this is a thought that we acknowledge to ourselves, but it may be at the back of our minds restraining the worthier feelings.

Let us have no illusions about leisure. To the vast majority of people, except in fairly small doses it is not an unmitigated blessing. To make satisfactory use of leisure, beyond a certain amount, requires mental resources and moral qualities of a fairly high order; and unless a man has some hobby or interest which he is keenly anxious to cultivate, a large amount of free time may bring him little but boredom. Realizing this, people have recently been exercising very commendable foresight in considering the problems that will arise in the new age of leisure which is believed to be imminent. "Education for leisure" has already become a catch-phrase. (Education for work has never been popular—unless, paradoxically, it was training for a profession.) Now while these efforts to provide for a considerable increase in leisure-time are wholly admirable

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—for there can be no question that the average person will need a good deal of assistance in the circumstances foreseen —I suggest that we might also devote some thought to preventing the problem from ever arising in too serious a form.

A distinction should be made between work and occupation. Work implies necessity : it is something that must be done as contributing to the means of life in general and to one's own subsistence in particular. Occupation absorbs time and energy so long as we choose to give them ; it demands constant initiative, and it is its own reward. For the average person the element of necessity in work is valuable, for he is saved the mental stress involved in devising outlets for his energy. Work has for him obvious utility, and it brings the satisfaction of tangible rewards. Whereas occupation is an end in itself, and we therefore demand that it shall be agreeable, work is usually the means to other ends—ends which present themselves to the mind as sufficiently important to compensate for any disagreeableness in the means. There are forms of work, of course, which, since external compulsion is reduced to a minimum, are hardly to be differentiated from occupation. The artist, the imaginative writer, the scientist, the social worker, for instance, find their pleasure in the constant spontaneous exercise of creative energy, and the essential reward of their work is in the doing of it. In all work performed by a suitable agent there must be a pleasurable element, and the greater the amount of pleasure that can be associated with work the better. But for most people the pleasure of occupation needs the addition of the necessity provided in work. It is better for them to follow a path of employment marked out for them than to have to find their own.

When, therefore, we look ahead to the situation likely

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to be produced by the continued rapid extension of machine production, we should think not so much about providing occupation for leisure as about limiting the amount of leisure to that which can be profitably used. We shall have to put the emphasis on the work-providing rather than the goods-providing aspect of the economic process. In the earlier and more ruthless days of capitalism the duty of the economic system to provide work was overlooked. The purpose of competitive enterprise was to realize a profit. When profit ceased or was curtailed, production also ceased or was curtailed. Thus the workers, who were regarded as units of labour forming part of the costs of production, were taken on when required and dismissed when not required. They hardly thought of demanding work as a right. And so long as British manufacturers had their eyes mainly on the markets awaiting them abroad, they could conveniently neglect the fact that, since workers are also consumers, unemployment at home means loss of trade. Moral considerations did not yet find a substitute in ordinary business prudence. The labour movement arose largely as a revolt against the conception of workers as commodities to be bought and sold without regard to their needs as human beings. In a socialist system it is assumed that they will be treated with genuine consideration, for, the making of profit not being essential, central planning will not only adjust the factors of production to the best advantage but will secure regularity of employment. But has the socialist thought about what he would do if, owing to technological advance, the sum of human labour required were catastrophically reduced? So far as I know, he has no plan beyond drastically limiting the hours of work and sharing out as much work as there may be. And, of course, he would grant monetary relief to those who were actually unemployed.

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But has he considered what would be the moral effect of the mode of life imagined as possible in the highly mechanized State of the future? Has he thought of the possibility of bands of unemployed and under-employed workers marching on the capital to demand not income (which they will have) but *work*?

I have allowed my speculation to wander into the remoter future merely in order to emphasize my point. Actually, the problem I have adumbrated is already with us. To maintain the volume of production at the level reached in the depression years of the 'thirties only about four-fifths of the insured working-population were needed; the remainder of the workers were the pensioners of the nation. The difficulty has not been to provide the workers with some sort of income, but to find them something to do. If the standard of life were raised by further expansion of production of consumable goods there is still no certainty that all our labour resources would be used: increased mechanization and increased efficiency would accomplish much that was in the old days done by taking on more "hands." Thus to think in terms of increased manufacturing production on existing lines is not enough. We have to search for fresh work to be done, preferably of a kind in which man is more than the machine. This means that we shall have to revise our standards of what is necessary and desirable in the conditions of social life. We shall have to open our eyes to the formless squalor in which millions of our people live, and turn our hands to the creation of soundness, order, and even beauty. Jobs which have hitherto been left undone because they would not "pay," or because the doing of them would have been regarded as a social luxury, will have to be carried out for the simple reason that they provide useful work.

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To abolish enforced idleness is the prime need. In the first instance we might proceed on the principle that any kind of work is better than none. But when we have begun to bring the problem under control, we shall need to think of the quality of the work we are providing. From the point of view of the worker the task he performs should be satisfying ; that is, it should seem to him to be worth doing. In estimating this kind of worth we need not complicate matters by taking up an excessively intellectualist attitude. The social reformer and the economist whose lives are spent mainly in professional circles are apt to spend their pity on the considerable number of people engaged in humdrum jobs that seem quite devoid of interest and even "not worth doing." With a more intimate knowledge of the mental attitude of those performing these tasks, however, we find that this pity is generally unnecessary. The misfits and those who are capable of better things will, of course, be discontented ; but that kind of discontent can be found in all ranks of life. Usually, however, the man with the very humble and unskilled job does not look upon it with contempt ; on the contrary, it presents itself to his mind as surrounded by an aura of importance. In his imagination he is performing a necessary function in which he is more successful perhaps than most people would be ; and thus he acquires a measure of personal dignity. If this were not so, how could we explain the pride which so many workers show in doing the simplest routine work with efficiency ? Clearly the humblest job can give satisfaction to the worker whose capacity it suits. And this raises once more the question of the monotony of modern machine-tending. To certain temperaments, of course, the repetition-work of the factory would be unendurable. But there is no evidence to show that to the majority of the factory workers

it is distasteful, provided that hours and other conditions are satisfactory; many, indeed, actually like to have a purely mechanical task demanding no initiative and imposing no responsibility. Let me not be misunderstood. I do not regard the creation of a great deal of low-grade work of this sort as one of the boons of present-day civilization; we should, in fact, do all we can to replace it by work of more intrinsic interest. But I cannot submit to the delusion that the majority of machine-minders are passionately yearning to do something else. In the years of depression there were many thousands of unemployed and under-employed men and women who would have eagerly grasped the offer of a simple but secure routine job; nor would they have failed to extract some satisfaction out of it.

In considering the quality of work we must bear in mind not only the satisfaction the task brings to the doer but the moral character of the achievement. Presumably personal satisfaction is derived from their occupations by the football-pool director, the advertiser of chewing-gum, the crooner, the bookmaker's tout, and the builder of cinema organs. But *ought* these people to obtain satisfaction in these particular jobs? Could they not be provided with worthier ways of earning a living? Undoubtedly they could if our social standards were higher. The quality of the work we do and set others to do is an index of the quality of our civilization. If we think it more desirable that an open space in one of our cities should be used as a greyhound-racing track than as a public park, we shall employ men as racing-track attendants instead of as gardeners. If we see nothing morally objectionable in foisting on the public a bogus medicine, we shall be quite prepared to see laboratory workers, publicity men, poster designers, printers, and shop-assistants spend their time in disposing

of a product which they know to be a fraud ; and furthermore all these people will be quite content to be so employed. So long as we want, or are prepared to accept, material trash, cheap excitement, and degraded art, so long will there be people ready to supply them.

We hear a good deal nowadays about the deterioration of craftsmanship ; and indeed our shops and houses bear eloquent testimony to it. The older wood-worker did his job in accordance with a tradition of craftsmanship which enjoined soundness and thoroughness ; the modern manufacturer of mass-produced furniture will use poor material and bad workmanship, and reckon to sell his articles through their flashy design and external polish. The older builder worked according to established methods and would have declined to use shoddy materials or to work in a way that he knew to be wrong. The speculative builders who cover our suburbs with mock-Tudor monstrosities are quite prepared to discard the rules of sound construction and to gull ignorant buyers with useless half-timbering, stained-glass windows, and bogus labour-saving devices. This lamentable decay of honest workmanship is currently attributed to the machine. But let us not deceive ourselves. The machine can attain greater accuracy and finish than the human hand ; properly used, therefore, it can do just as fine work. It ought, in fact, to be able to provide for the ordinary customer what the old-fashioned craftsman could make only at great expense for his wealthy clients. We live in the midst of shoddy articles of hideous design because the buying public desire nothing better. And for the same reason thousands of workers are engaged on tasks which are a betrayal of the principles of their craft.

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### *The Practical Problem*

With these general considerations in mind we can proceed to discuss the practical means of dealing with unemployment in the years ahead. In the period of dislocation after the war the measures taken are bound to be more or less of emergency character. But if we are to avoid the mistakes made after 1918, we must try to plan our emergency measures in relation to a long-term policy proceeding from the principles we regard as fundamental in a reorganized economy. We must look beyond the early period of post-war readjustment to the conditions likely to prevail when industry has returned to something like a normal basis. We must anticipate that the chronic disease of unemployment which has afflicted us in past years will still remain to be dealt with. It will, therefore, be useless to go on, as we did in the 'twenties, in the hope that the mechanism of capitalist industry will right itself. The provision of work for all must be the foremost aim of government policy. Every means to this end must be thoroughly explored. In so far as war-time controls would be of assistance they should be retained and put to vigorous use.

The problem is not political; it is technical. It should, therefore, be approached in a scientific spirit and examined with vision unclouded by party prejudice. For its solution we should look to economists rather than to politicians. The problem is of such magnitude and complexity, however, that it has proved intractable to mere theorising, and economists have hitherto been unable to agree on a course of action. In reaching a theoretical solution they have been handicapped until recently by the disability under



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which the social scientist necessarily labours of being unable to conduct large-scale experiments. The experimental method which has been essential to the enormous advances made by the physical sciences has been usually denied to the economist in a democratic country because, where big social issues are concerned, governments have been unwilling to embark on risky policies for fear of the consequences of failure. British governments in the inter-war period carried this reluctance to the point of timidity : any large scheme entailing considerable State expenditure or threatening Budget equilibrium was rejected out of hand with dark warnings of national bankruptcy.

Within the past decade, however, we have been able to watch other nations carrying out large-scale operations, to overcome unemployment. Germany, the United States, and Sweden in their several ways made a real attack upon the problem ; and all of them were ready to abandon financial orthodoxy and to explore unknown fields in search of a solution. The British Government also—but unwittingly—furnished economists with experimental evidence through the rearmament programme in the years before September 1939.

One conclusion emerging from this evidence is plain for all to see. It is that nothing but continuous State action of a bold and experimental nature and on a very big scale will be of any use. A second conclusion—more important, but not so plain, because it runs counter to long-standing prejudices—is becoming dimly apprehended by the thinking public. It is that the only limits to the amount of work that can be created are set by the natural resources of the country and the skill and energy of the people in using those resources. Just as the real wealth of a country is to be found not in money but in land, farm-buildings, forests, rivers,

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canals, railways, ships, factories, mines, and so on, so the total amount of employment potentially available is not really dependent on financial arrangements ; it consists in all that can be done with natural resources by human skill and energy for use and enjoyment. Fundamentally, the quantity of money in the country has nothing to do with the amount of work to be done. If every one of our banks, including the Bank of England, suddenly failed to meet its liabilities and our national finances collapsed, there would still be land to be tilled, minerals to be mined, ships to be sailed, and all the multifarious tasks by which man converts the earth's resources into the means of life to be done. It happens that in modern times the economic process has become involved in an intricate financial mechanism, with the result that apparently men cannot be set to work until elaborate book-keeping entries of credit and debit and profit and loss have been duly made, and millions of paper tokens have been printed and circulated according to rule. The work is there to be done ; but the workers cannot get to it because the financial mechanism is in the way. The miner who is unemployed because his pit is closed knows that thousands of poor homes in the country are without adequate heating or even any heating at all ; yet he is told that the mine cannot be worked because it does not " pay." No wonder that he and others are asking that we should get behind the financial façade to the realities of the situation.

Now this obviously cannot be done without a complete break with the long tradition of financial orthodoxy ; and such a break can be made only by State action. A democratic government, however, would naturally hesitate to take such a step without the very strong backing of public opinion ; and unfortunately, although many people have

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become vaguely aware that something is wrong with the methods of financial orthodoxy, the bulk of the electorate know nothing whatever about the most elementary facts of the monetary system. It is therefore particularly necessary that all those who can popularize the lessons to be learned from recent economic experience at home and abroad should co-operate in a big educational effort, so that the public mind may be prepared for changes which would otherwise seem dangerously revolutionary.

Let us then examine recent national policies in some detail with a view to seeing what guidance they offer. We may take first our own experience during the years of rearmament. This throws important light on the much-debated question of the value of public works as a remedy for unemployment. In the period before September 1939, when large resources in capital and labour were idle, the government initiated a scheme of public works (taking the form of preparations for war) on a scale that would never have been contemplated for the constructive purposes of peace. The numerous people who are always ready to ask "Where is the money to come from?" were shown that in the conditions then obtaining, that is, conditions in which industry was working generally below full pressure, there was no difficulty whatever in raising many millions of pounds at a low rate of interest. We learned, further, that huge sums of money derived from heavy taxation as well as from loans could be spent without causing an appreciable rise in the cost of living. What was the effect on employment? It should be mentioned that the rearmament expenditure benefited not only those trades directly concerned with producing munitions of war: all the constructional and supply trades were stimulated; and, of course, retail shopkeepers did better business as the result of the extra

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money in the pockets of workers employed directly or indirectly on armaments ; which means that for every man given fresh work on government orders, several more were indirectly brought into employment. Even so, however, the absorption of the unemployed into industry was gradual, and perhaps slower than might have been expected ; and it was still far from complete when war broke out. In August 1939 the unemployment figure was 8.6 per cent., to which it had recently fallen from over 12 per cent.<sup>1</sup>

The experience of the war of 1914-1918 had already shown that, when carried far enough, State expenditure on public works (the maintenance of armies and their equipment) will produce conditions of full employment, and that it will do so without entailing the national bankruptcy freely predicted in 1914 as the inevitable and rapid result of a European conflict. After April, 1915, the unemployment figure was negligible : it never rose above 1 per cent.<sup>2</sup> During those years, however, when full employment was reached, market conditions were allowed to operate over a considerable field, with the result that inflation set in : wages and the cost of living followed a parallel course upwards. Inflation, though not fatal when kept under control, has disturbing effects that it is desirable to avoid. In 1939, therefore, it was the concern of both the economists and the government to prevent as far as possible the rise of wages and prices. It was shown that such a rise can be largely avoided, even during government spending on a colossal scale, by price-fixing, rationing supplies, subsidizing essential commodities, and using every means (including very high taxation) to discourage public expenditure on consumable goods. A certain rise in the cost of living took

<sup>1</sup> A. C. Pigou : *The Political Economy of War* (Macmillan, 1940), p. 31.

<sup>2</sup> *Ibid.*, p. 31.

place, however, owing to inevitable war-time increases in trading costs. This was followed by wage-increases, since the government was unwilling to resist trade-union pressure for the maintenance of the real value of wages. The purchase tax, introduced late in 1940, added to the cost of living. But the more stringent imposition of government controls prevented serious inflation. It was hardly to be expected, however, that under the stress of war conditions a perfect technique for the avoidance of inflation could be worked out and applied. Owing to the change in the character of war as it was waged in these years, the effect on employment was different from that observed in 1914-1918: the transference of labour from peace-time to war-time occupations took longer, and a considerable body of unemployed remained to be absorbed even in the second year of the war. What was once more clearly demonstrated, however, was that, in order to set people to work for a purpose generally approved as essential, there was no difficulty in doing what in peace-time had been so often declared to be impossible, namely, raising enormous sums of capital by loans at low rates of interest, and even at no interest at all. As Lord Keynes has written, "Hitherto war has been the only object of governmental loan-expenditure on a large scale which governments have considered respectable."<sup>1</sup> The comment is cynical, but just.

The most spectacular example of a policy for employment based on capital expenditure in conjunction with thorough and systematic State control was given by the Nazi government before 1939. Hitler set out to give work to seven million unemployed, and he did so by vast expenditure on capital goods—the whole apparatus of "total" warfare—and on grandiose schemes of public works.

<sup>1</sup> *The Means to Prosperity* (Macmillan, 1933), p. 22.

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Labour and capital were diverted as far as possible to war industries and to those industries ancillary to war purposes. The production of consumers' goods was deliberately restricted. Prices, wages, and profits were fixed; exports and imports and supplies of raw materials were rigidly controlled; investment was State-regulated. Enterprise remained nominally in private hands; to all intents and purposes, however, private ownership ceased to exist. Public control at all points succeeded in preventing inflation; but since consumption was discouraged in order that all available resources might be employed on capital goods, the standard of living was depressed or at least not allowed to rise in correspondence with the workers' increased effort and output. The experiment showed that by means of a rigidly controlled system carrying out a policy of public works, it was possible for a period, at any rate, to find employment for the whole population; but it is to be noted that its success was partly due to the fact that the policy adopted avoided the problem of markets that would have arisen if resources had been devoted to producing consumption goods. Whether such a policy could have been maintained indefinitely is doubtful. In any case, it seemed to competent observers that, if the system had continued, the façade of private ownership would eventually have disappeared, and a completely socialized State would have emerged. And, of course, on a long-term view, the policy was meaningless except in relation to a war which must be waged at some time to employ the vast military apparatus brought into being.

The part of President Roosevelt's New Deal legislation which is most important from our present point of view is that which embodied the so-called spending and lending policy. This policy, which called for the expenditure of

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Federal funds to the extent of billions of dollars annually, was initiated in the first place in response to irresistible public demand for relief of distress by any means whatever. It was later realized that what began as an emergency measure might be used as a positive instrument of recovery ; and there is little doubt that such progress towards business recovery as was in fact made was due to this wide distribution of money. A great part of the money provided by the Federal Government was spent on wages paid in connection with the Work Relief schemes started throughout the country to provide employment on roads, housing, flood-control schemes, Federal buildings, and numerous other forms of public works which would not otherwise have been undertaken. In return for this expenditure the nation obtained, of course, durable equipment, public amenities, and other additions to non-consumable wealth. The government also provided, however, very large sums for what was, in effect, direct distribution to various sections of the public. For instance, the Agricultural Adjustment Administration took over existing farm mortgages and reissued them at reduced rates of interest ; the House Owners Loan Corporation was set up to give similar relief to house-owners who had mortgages ; the Reconstruction Finance Corporation made loans to purchasers ; the Farm Security Administration made virtually direct relief payments to farmers. The effect of this wholesale distribution of purchasing-power was to stimulate demand for consumption goods ; and when existing stocks were worked off and there was prospect of continuing and increasing demand, the investment of new capital (for additional machines, factory-space, and so on) was encouraged, and so still further work was eventually provided.

Thus the particular interest of the New Deal experi-

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ment lies in its demonstration of what can be achieved simply by giving purchasing-power to large sections of the public. To this point we must return.

Another important aspect of the United States New Deal policy is the way in which it was financed. The huge sums involved were not raised by loan or taxation : they were new money obtained by the issue of Treasury Bonds. Most of these bonds were taken up by the banks, which by the exercise of their powers in providing credit in effect "created" the money. Of course, Federal expenditure on this scale entailed unbalanced budgets and an enormous national debt.

The unbalanced budget and the big national debt used to be the bugbears of the upholders of "sound finance," and they are still popularly regarded as the heralds of disaster. Even those who are least instructed in economic matters, however, can hardly consider American experience without realizing that these things do not matter so long as public confidence in the national resources remains unbroken. The national debt is a debt owed by the nation to itself, for the vast majority of holders of government stock are citizens of the nation concerned. All that is really involved is that certain sums of money are collected annually by way of taxation or loan to be redistributed as interest to the holders of government stock. There is no question of a debt of several thousand million pounds all becoming due for repayment at a given date in the future ; different portions of the total debt become due for repayment at different dates, and the repayment is made by floating a new loan. My point in stressing this elementary matter is to bring home the fact that the traditional prudential maxims of national finance can be safely disregarded in a really courageous policy for creating employment.



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The deliberate unbalancing of the budget was an essential feature of the interesting experiment made by the Swedish socialist government which came into power in 1932. This government entered upon an expansionist policy based on the theories of Professor Myrdal with the purpose of countering the trade slump and creating employment. Sir Ernest Simon sums up the achievement thus :

The socialist government, at the bottom of the slump, declared its intention of departing from orthodox financial methods ; during the slump it borrowed freely, deliberately unbalanced the budget, and did everything in its power to encourage spending, both by public and private authorities. When things improved it reduced public borrowing, kept up the taxes, repaid the budget deficit, and did everything possible to control public and private expenditure. It almost certainly accelerated recovery and prevented the appearance of excessive boom conditions in 1937 and 1938.<sup>1</sup>

It was an essential feature of this Swedish policy that the budget should be balanced over the period of the trade cycle as a whole : deficits in depression years must be made good in the boom years. It was necessary, therefore, to get the public accustomed to budget deficits as a normal feature of slump years. To make this plain the government adopted the ingenious device of a double budget, including the "running budget" and the "capital budget."

The running budget contains, on the one hand, receipts from taxation, the yearly profits from productive State enterprises and other yearly State incomes, and on the other side of the ledger, all sorts of ordinary expenditures which are not of the investment type, plus the writing-off of the "productive" investment. The capital budget, on the other hand, is regularly financed by borrowed money—in so far as free capital out of sinking funds in the various "productive enterprises" is not available ; i.e. in so far as the State is increasing investment over normal re-investment.<sup>2</sup>

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<sup>1</sup> Sir Ernest Simon : *The Smaller Democracies* (Gollancz), p. 84.

<sup>2</sup> Professor Myrdal, quoted by Sir Ernest Simon, *loc. cit.*, p. 86.

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Over the period for which it was observed, the Swedish policy was generally pronounced a success. The war, however, prevented the establishment of the positive conclusions to be desired.

The various lines of action just described have all been more or less successful in dealing with the problem of mass unemployment ; from the strictly economic point of view, it is of no consequence whether the policies were directed to the preparation for war, the actual waging of war, or the rescue of industry from peace-time disaster. Our only concern is with the method of providing jobs and its efficacy. Can we discover from our examples the right way of tackling the problem in "normal" times ? The one element common to all these policies was the expansionist method. It has been shown that State expenditure (direct and indirect) if carried to sufficient lengths can create full employment. It has been shown further that the question of where the money is to come from has no reality. What has still to be more fully worked out is the technique by which expansionist methods can be applied without incurring such evils as violent inflation or the production of masses of war material.

In view of its importance the expansionist method needs further discussion. As we have seen, an expansionist programme can take two forms. The State may undertake large public works, expand the social services, and stimulate capital investment both on its own account and through the channels of private industry. Again, it may distribute additional purchasing power direct to consumers with the purpose of indirectly encouraging capital investment through the stimulus of increasing consumer demand.

To many people the second of these two forms of State action may seem too simple to be good : they may think

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that what was perhaps permissible as an emergency measure in the trough of the American depression would not be justifiable in "normal" times. The case, however, for such monetary distribution as a normal means of dealing with "depression" unemployment has been soberly stated with the full weight of academic authority by Mr. J. E. Meade.<sup>1</sup> He maintains that in times of depression the State, through the Treasury, should issue new money bearing no interest to provide monthly payments to people whose income falls below a certain level, these payments to be used for the purchase of consumable goods. The amount of the credits would vary according to the ascertained index of "depression" unemployment. An opposite policy would be followed whenever the amount of monetary expenditure increased to a point beyond what was needed to absorb "depression" unemployment. Then it would be necessary to levy a tax on those who had previously received benefits, and the money thus raised would be used either to redeem State expenditure on credits or to pile up reserves. The necessary administrative machinery could be attached to existing State pension schemes.

It is important to note, however, that this method of dealing with unemployment has only a limited value. It will not touch the mass of "structural" unemployment: British coal mines and textile factories, for instance, which are suffering from the loss of large foreign markets, will not receive any considerable benefit when home consumers have more money to spend. Moreover, if we keep in mind

<sup>1</sup> *Consumers' Credits and Unemployment* (Oxford University Press, 1938). Mr. Meade describes three types of unemployment: 1. "intermittent," due to seasonal factors, changes in public taste, etc.; 2. "structural," due to major industrial changes such as the loss of markets abroad or a revolution in technique; 3. "depression," due to cyclical fall in demand. He regards consumers' credits as a cure for "depression" unemployment only.

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the non-economic criterion established in an earlier chapter, we see that stimulation of consumption ought not to be carried beyond a certain point. So long as the poorer classes are unable to buy adequate quantities of essential commodities and of commodities associated with conventional comfort, there is everything to be said for distributing the necessary additional purchasing power to these classes. But we must not go on indefinitely encouraging consumption in order to create employment ; for there will come a time at which production of consumable goods is excessive—"excessive," that is to say, by ethical standards. If, in the technical conditions that we anticipate in the future, purchasing power were increased to the extent that would be necessary (without assistance from other methods) to abolish unemployment, we should bring into existence masses of consumable goods beyond genuine human needs.

It follows, therefore, that if we do not wish to allow the production of consumption goods to expand beyond certain limits, we must make increasing use of the other method of providing work, namely, the creation of durable forms of equipment and of public amenities which can exist independently of the purchasing power in the hands of the public. All recent experience goes to show that our standards of what is required or desirable in this respect must be completely revised. It is not too much to say that if we are to put everybody to work we shall have to envisage a wholesale transformation of our material environment. Old notions of "what we can afford" and "the waste of public money" must go by the board. We shall have to plan not only to create a certain volume of employment once and for all, but also to provide continual employment of workers for maintenance purposes. Hitherto we have usually considered the problem at one remove

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from reality. We have asked how we were to find the money to put people to work. In future conditions of technical efficiency we shall have to tackle the primary question of finding the work itself, and seeing that it is of a socially desirable kind.

The most obvious means of providing a considerable volume of employment is large-scale building construction. A great deal of labour and capital will in any case have to be devoted to this in order to repair war damage ; we may in consequence reckon with a greatly expanded building industry in the future. A flourishing building industry will bring prosperity to numerous supply trades. But it will be necessary to look beyond the mere repair and replacement of property destroyed in the war. We must think seriously of the thorough rebuilding of all our larger towns.<sup>1</sup> According to present-day standards a very large proportion of the older houses are obsolete in accommodation and equipment ; and the streets were originally laid out with no regard to light, air, and beauty, and naturally with no regard to the requirements of modern traffic. The redevelopment of big areas in London alone would give a large amount of work for a long period. In this connection Dr. W. A. Robson advocates the creation of satellite towns, not only as a means of relieving the density of the population of the metropolis but as a method of spending very large sums of public money on projects likely to offer reasonable prospects of ultimately becoming

<sup>1</sup> The six members of the Macmillan Committee who signed Addendum I of the *Report on Finance and Industry* (1931), wrote : " A considerable part of the larger towns and industrial centres of the country needs rebuilding and re-planning on a comprehensive scale. At present they offer neither beauty nor convenience nor health. Much of the industrial housing of the country is of an age when buildings of that character are, of necessity, only fit to be demolished. It seems an insanity to keep a large proportion of the building trade out of employment when this is the case (p. 207)."

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self-supporting.<sup>1</sup> The slum-clearance campaign of recent years has touched only the worst evils of urban housing. And it may be added in parenthesis that it has left untouched the evil of obsolete school buildings. Up and down the country there are hundreds of elementary school buildings that have either long been condemned officially as unsatisfactory or are in fact quite out of date according to modern requirements : children who are being given better homes to live in are still being sent to a slum school. We shall need a much more ambitious scheme than anything hitherto contemplated by way of slum clearance ; or rather we shall have to apply a much higher standard in deciding what constitutes a slum ; we shall even have to embark on rebuilding schemes which, to the reactionary mind, will seem pure luxuries. Such plans would, of course, include the creation of worthy civic centres to replace the often badly designed, badly sited, and inadequate local government offices and public halls of an earlier generation. The crying need of public gardens and open spaces should also be met ; and in this way not only would work be provided to create them but constant employment would be necessitated by their upkeep.

On the outskirts of the older manufacturing towns there is any amount of work to be done in clearing up the débris of industrialism. First of all, the elementary principles of tidiness should be applied to unsightly dumps and slag-heaps, and to derelict buildings. Then, where possible, cleared spaces should be made available for public use as playing-fields, allotments, and so on. That these areas abandoned to industrial wreckage should have remained as they are through all the years in which there have been

<sup>1</sup> Dr. W. A. Robson : *The Government and Misgovernment of London* (Allen and Unwin, 1939).

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millions of idle hands is a national disgrace. When peace returns, an additional task will await us in connection with the redundant munition factories, aerodromes, and service buildings throughout the country. Many of these had to be hastily established in hitherto unspoilt rural areas. It is to be hoped that such unwanted buildings will be demolished as soon as possible, and the sites restored to natural conditions.

In the countryside much of the housing accommodation needs replacement: the older rural cottages are as obsolete as older working-class urban houses. Village water-supply needs attention. In all sorts of ways, in fact, it is possible to give country dwellers the benefit of modern technical improvements.

This brings us to the great question of the future of British agriculture and the rural industries associated with it. Can we look to an increase in employment on the land? One result of our experience in managing the food supply in two great wars will undoubtedly be to restore agriculture to its rightful place as a basic industry, deserving the fullest State support. We shall, in fact, be led to do for the wrong reason what we have so long neglected to do for the right. Despite our abundant mineral resources and our technical skill in manufacture, the land remains a primary source of wealth, and our failure to make adequate use of it in modern times has produced an unbalanced economy which is dangerous in peace as well as in war. If, as I believe, we should aim in the future at increasing economic self-sufficiency, we must, for the needs of peace and irrespective of military requirements, place agriculture on a sound footing. Even allowing for the saving of labour resulting from modern mechanized farming, a fully working and prosperous agriculture would provide addi-

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tional employment on the land and in the country towns serving the farming community. Schemes for drainage and the reclamation and improvement of the soil which were undertaken as war measures must be continued as necessary public works in peace-time. Such long-term projects as afforestation, which are now beyond the resources of private landowners, must be made the subject of vigorous and extensive State action : the Forestry Commission must be given more scope and far more money to spend. In such ways it should be possible not only to arrest the drift of the rural population to the big towns, but actually to reverse the flow. To restore the contact between the masses of the population and the countryside is necessary on psychological grounds. This is an additional reason for repopulating our villages and country towns with the maximum number of rural workers.

In suggesting ways of increasing the volume of employment we must consider the wide scope afforded by extension of the social services. This is particularly important as a means of providing work for the clerical and professional classes. When once we have brought ourselves to contemplate State expenditure on a sufficient scale, there is little difficulty in imagining the kind of things that could be done. Many more people, for instance, could be employed in the educational field if the size of classes in State schools were reduced to the desirable point, if adult education were fully developed, and if the various ancillary services were sufficiently extended. In the health services, too, there is obviously plenty of room for more professional workers. But in order that the required expansion may be efficiently carried out it will be necessary to sweep away the anachronism of the voluntary hospitals, whose activities are limited and impaired by chronic financial difficulties, and to create



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a State medical service which will make the fullest resources of medical science available to all. If our present efforts to improve and safeguard the physical health of the nation are inadequate, it is not through lack of knowledge of the immediate steps to be taken ; it is through our unwillingness to employ sufficient skilled workers to carry out the tasks recognized as necessary. In the matter of finding work for the professional classes we could learn a good deal, I think, from the emergency measures undertaken by the United States administration during the crisis of the great depression.

The preparation and co-ordination of work schemes would be one of the principal tasks of a supreme Economic Council. The necessity of a suitable monetary policy operated in conjunction with schemes of public works has been sufficiently indicated in the discussion in the preceding pages. Such a monetary policy would have to be decided upon by the economic authority and set in action by a nationally controlled banking system. In appropriate cases the actual carrying out of work schemes would no doubt be delegated to local authorities or to special regional councils ; but general supervision would remain in the hands of the central authority. Already the technique of public works policy has to some extent been worked out as a result of the efforts of various governments to apply such a policy as a relief measure in the depression years of the trade cycle. As I see it, however, we must accustom ourselves in the future to regard lavish government spending on public works not as a measure for depression periods only but as a normal feature of our economy. The amount and mode of government expenditure will vary according to the cyclical movement of trade, but it must always be a considerable factor in economic activity.

## CHAPTER VIII

# POVERTY AND THE DISTRIBUTION OF INCOME

### *Poverty*

So far I have made no more than passing reference to one of the main charges against the existing order of society, namely, the gross inequality in the distribution of wealth. The subject gives rise to endless academic discussion, and various solutions of the problem find passionate advocacy. In this case, however, the reformer need not remain inactive through inability to escape from the meshes of the theoretical question. He is confronted with the very plain evil of widespread poverty, which, in spite of the considerable real increase in working-class incomes in recent times, remains a blot on industrial civilization. He can, therefore, proceed to action on the simple moral issue. Whatever argument there may be about the social justice of incomes of over £10,000 a year, there is no argument at all about the social injustice of incomes which deny the possibility of decent living at the lowest human level. Yet such incomes are the rule for large numbers of people. The raising of all wages to a point above the poverty line ranks with the abolition of unemployment as the most urgent of our social tasks.

Poverty is, of course, a relative term. To the agricultural labourers living in the almost incredible misery of the "hungry 'forties" of the last century what is known as poverty to-day would have appeared an enviable state ; and it may well be that the portion of the population who

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now regard themselves as fairly comfortably off will seem poverty-stricken to posterity a century hence. But while the term poverty varies in signification from age to age, we can give it a definite meaning for our own time by considering minimum human needs in present conditions. In the matter of food, which bulks largest in the family budget of the poor, modern knowledge of food values enables us to obtain a reliable estimate of the average minimum necessary to maintain bodily health. By investigation into sample household expenses it is possible to obtain reasonably satisfactory figures for the cost of what would generally be regarded as minimum requirements in housing, clothing, fuel, and light, and certain other essentials. When we have fixed the rate of income necessary to maintain such a standard of life, we can agree that any person receiving less than that amount is living in "poverty." The best-known estimate of the lowest income compatible with tolerable living is that given by Mr. B. Seebohm Rowntree in *The Human Needs of Labour* (1937). For his purpose he takes as typical a man with a wife and three children (the average family should have three children if the population is to reproduce itself). On the basis of 1936 prices the minimum income for such a family was 53s. a week in a town, and 41s. a week in the country. For a woman without dependants the minimum was 30s. 9d.

In dealing with poverty and the general question of economic inequality we must necessarily base discussion on the facts as they were in what we must perforce call the normal times before September 1939. The war has, of course, profoundly disturbed the "normal" distribution of income. In some trades and professions the workers are better off; in others they are worse off. Many owners of businesses have been ruined, and all the richer classes have

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suffered heavily from taxation. Whereas the more extreme forms of poverty have been relieved by the reduction of unemployment in many trades and the absorption of millions in the armed forces, the war dislocation has produced straitened circumstances among classes usually exempt. But the conditions created by the war are only the temporary result of a change-over from a peace-economy to a war-economy. Failing purposive intervention, we are likely to return to a pattern of income-distribution very similar to that existing before the war. In the period of readjustment, as competitive enterprise is trying to get the wheels of industry turning again, the average employer will certainly think in terms of pre-war standards, and there will be the natural temptation to meet difficult conditions by cutting wages to the lowest limit. Nothing but a far-reaching and positive policy will prevent masses of workers from sinking back into or below the poverty of "normal" times.

Let us therefore keep firmly in our minds the fact that in 1939 a large section of the workers were not earning enough to maintain themselves and a family of average size in a state of physical efficiency. Sweating, which was supposed to have been dealt with by the Trade Board Acts of 1909 and 1918, had by no means disappeared: only a limited number of industries came under Trade Boards. Nor were disgracefully low wages confined to the depressed industries; they were to be found in some of the newer and relatively prosperous trades. One of the troubles of the Unemployment Assistance Board was due to the fact that in quite a number of cases the benefit to which a claimant with a family was legally entitled came to more than he could earn in his usual full-time employment.

Indeed, if we inquire more closely into the "normal"

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incidence of poverty, we come upon facts and figures which are, or should be, startling. In *Hunger and Work*<sup>1</sup> Mr. J. Kuczynski set out the results of his examination of the available statistics concerning wages in all the important industries except the distributive and allied trades (for which there were no sufficient data). He reached the general conclusion that in 1937, including the unemployed, about four million adult male wage-earners and two million adult female wage-earners received less than the Rowntree minimum. Making the necessary calculations regarding children and other dependants, he arrived at a final estimate of ten million as the number of men, women, and children who were living below the poverty-line. Owing to the inadequacy of the official statistics for wages, any such conclusion involves a considerable amount of guesswork, and must therefore be accepted with reserve. But even with a drastic reduction for possible error Mr. Kuczynski's figures would still represent a formidable total.

Besides statistical estimates of this kind we have the evidence of a number of recent social surveys of particular localities. The University of Bristol, for instance, carried out such a survey in 1937.<sup>2</sup> The inquiry was conducted by house-to-house visits made to a sample of that section of the Bristol population whose incomes were below middle-class levels. As a result of the research it was estimated that about 11,000 families, or 40,000 persons, were living in poverty; and a further 21,000 families, while not in actual poverty, were having a hard struggle to make ends meet. (The estimated population of the survey area was 452,000.) The standard of minimum needs was specially devised by the investigators, and was lower than the

<sup>1</sup> Lawrence and Wishart, 1938.

<sup>2</sup> University of Bristol: *The Standard of Living in Bristol*, 1938.

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Rowntree minimum. At the time of the survey Bristol was relatively prosperous. The investigators noted especially that the 11,000 families living in poverty contained a disproportionate number of children, "so that one out of five working-class children comes from a home that is unable to give it a fair start in life." With this statement may be compared Mr. Colin Clark's estimate, based on the 1931 census, that 14 per cent. of the whole population of England and Wales live in families with an income of less than ten shillings per head per week, but, as many as 25 per cent. of all the children in the country are included in these families.<sup>1</sup>

The question of the amount of poverty existing in the country has also been approached in recent years by way of research into standards of nutrition. Sir John Orr reported in 1936 the results of an inquiry into the national diet.<sup>2</sup> In this case the investigators were not concerned with minimum standards: their object was to discover what proportion of the community manage to achieve the physical ideal of "a state of well-being such that no improvement can be effected by a change of diet." Sir John Orr arrived at the tentative conclusion that half the population of Great Britain do not receive sufficient income to provide them with a completely adequate diet.

One more piece of evidence may be quoted: it concerns the extent of poverty amongst the aged. The government scheme for supplementary old age pensions introduced in 1940 provided that the additional allowances should be given on condition of ascertained need. It had been estimated by the Treasury that the number of persons who would qualify for the additional allowance would be about 400,000.

<sup>1</sup> Colin Clark: *National Income and Outlay* (Macmillan, 1937), p. 114.

<sup>2</sup> Sir John Orr: *Food, Health, and Income* (Macmillan, 1936).

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When the claims of pensioners came to be adjudicated, poverty of an unexpected extent was revealed. Actually the number of those who qualified for supplementary pensions was about a million. In the words of the comment made by *The Times*: "The surprise of the investigation is that for so many old people the level of existence should have been so low."

But the use of facts and figures such as these is only to sharpen perception of an evil which is all too familiar. The fact of insufficient wages and the resultant malnutrition stares us in the face. What is equally obvious is that the cure must consist in vigorous sustained action directed at the root of the trouble. Here, as in other directions, we have been content with such palliatives as free meals and free milk for necessitous school-children. We have to find means of ensuring that the normal income of the families of all workers, even of the lowest grade, is sufficient for decent human living.

Before proceeding to discuss possible lines of action I am prompted to offer some comments on certain facts revealed by the investigation of Mr. Kuczynski already referred to. His figures, after allowing for a possible wide margin of error, make plain that poverty is not especially associated with small unorganized trades dealing in non-essentials; on the contrary, the proportions of workers receiving less than the Rowntree minimum in 1937 were by far the greatest in some of the most important industries. In agriculture the prevailing rates were universally below the minimum. In coal-mining 80 per cent., in mining and quarrying other than coal-mining 75 per cent., in building 50 per cent., and in the railways 25 per cent. of the workers received less than the minimum. In the public utility services 55 per cent. of the male and 88 per cent.

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of the female workers were paid less than the minimum, and the corresponding figures for textiles were 40 per cent. and 50 per cent.

Such facts bring home in striking fashion the irrationality of the economic system in which they are possible. It is in basic industries—industries providing for the elementary and universal needs of life—that large numbers of workers are denied adequate wages. There is neither justice nor sense in such a state of affairs. It is true that the prosperity of British agriculture, coal-mining, and textiles depends to a greater or less extent on price-levels in markets abroad ; but it is no less true that the workers in these industries are providing essential commodities for home consumption, and they might therefore expect better treatment than is accorded to, say, the makers of cigars, billiard cues, lipstick, or luxury motor cars. Again, it appears that there has also been much underpayment in the building trades. Here is an industry engaged in work of primary importance for everybody in the community, and free from difficulties arising from the need to compete in foreign markets. Are excessively low wages justifiable ? As to the railway workers, the reason for their unsatisfactory situation is the lack of co-ordination between the claims of road and of rail transport. Inland transport is an essential item in industrial costs. Clearly, then, it should be considered as a whole ; and while it should be organized so as to provide the cheapest possible service, it should certainly guarantee a fair wage to all its employees. With regard to the workers in the public utilities, it is to be noted that the majority of them are employed by local authorities. That a considerable number of men and women employed in the public service should receive less than a living wage is surely a deplorable fact. The blame here cannot be put



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on a wicked capitalist system ; it must be shouldered by the citizen body. It is no excuse to say that these workers are paid the usual trade union rates ; if necessary they should be paid at higher rates. It is for public authorities to set the standards.

The wage position in agriculture, mining, building, textiles, and railway transport emphasizes what has already been said about the desirability of introducing into such industries a national organization under public control. When an essential industry or service has passed through the expanding phase and reached a stage in which competing firms can look for nothing better than precarious profits based on excessively low wage-rates, it is time that it was taken under public direction. By economies in working, by eliminating the least efficient enterprises, and by reducing profits to the minimum required for solvency, it should at least be possible to ensure that all the workers received a fair wage.

It is difficult to escape the conclusion that an effective remedy for the evil of poverty must include the establishment of a minimum wage enforceable by law. Such a measure has not, however, received much favour in this country hitherto. The common argument against it is that it is useless to tell employers to pay wages at a particular rate if their businesses are not bringing in the necessary revenue. It is worth remembering, however, that according to the economics of competition a business has no right to exist when it fails to produce a profit, or a living wage for its owners ; *a fortiori* it has no right to exist when it fails to produce a living wage for those employed in it. And is it always so certain that the money for fair wages could not be found ? Mr. Rowntree tells us that he has been a member of a Trade Board for many years, and during that time in the

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trade concerned there has been a steady and substantial increase in "real" wages. No doubt before this Trade Board was set up the employers were quite convinced that the payment of higher wages would bring ruin. Mr. Rowntree believes that in most cases higher wages could be paid out of the economies secured by more efficient management.

On this point there is an extremely apposite passage in the Chatham House study of unemployment which runs :

Relatively high wage-rates may induce improvements in organization tending to reduce labour costs. The actual history of wages in Great Britain in the last twenty years shows that in certain trades, which before 1910 were sweated industries, increases of wages, forced upon them by the institution of Trade Boards, have been concurrent with great improvements in equipment and organization. Some of these industries have shown very rapid development. In spite of a greatly increased use of machinery, they provided an increase in employment. Outstanding examples are offered by the laundry and clothing industries. It is possible that the great technical advances in both of these industries, which have increased their market and enabled them to employ more people, would have been very much delayed if reorganization had not been forced upon them by the progressive raising of wages. But the lack of organization among employees of these industries was very generally accompanied by a comparatively low level of managerial and technical organization. It would be a hasty conclusion, therefore, to assume that what the Trade Boards did for these industries could also be done by compulsory raising of wages in more developed industries. Nevertheless, official inquiries have shown that a relatively low state of efficiency is not confined to small sweated industry, and the experience of the development of those industries under the spur of higher wages has therefore a wider importance.<sup>1</sup>

To reinforce the purely economic argument for legal

<sup>1</sup> *Unemployment : An International Problem*. A Report by a Study Group of Members of the Royal Institute of International Affairs (Oxford University Press, 1935), p. 251.

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minimum rates, it may be said that the cost to industry would be at any rate partly met through the benefits accruing from it. Employers would gain from the increased efficiency of workers who were better nourished and less dominated by financial worries. Moreover, the additional spending-power in the hands of the workers would stimulate the demand for consumption goods, and so make for business prosperity.

Minimum wage legislation has long been a feature of politics in Australia. It has become the practice to define a "basic" wage in relation to human needs. This is fixed as a general minimum, and the rates for particular trades are established at various levels above it. The object has been to raise the standard of living. In Great Britain special circumstances have compelled Parliament to enact minimum rates of pay for agricultural workers, and the Trade Boards were set up to deal with a selected group of trades in which sweating was rampant. Owing to the limited application of the Trade Boards, and to the fact that they have fixed minimum rates largely by consideration of the industry's "ability to pay," they have so far done little to raise the national standard of life.

Mr. Rowntree<sup>1</sup> favours the extension of Trade Boards to all industries where adequate minimum wages are not already paid. They should be instructed by statute to fix minimum wages to come into operation at the earliest possible date—at any rate after a breathing-space of five years. Mr. G. D. H. Cole has put forward a different proposal.<sup>2</sup> He urges the setting up of a General Minimum Wage Commission, under the Ministry of Labour, having

<sup>1</sup> B. Seebohm Rowntree, *The Human Needs of Labour* (Longmans, 1937).

<sup>2</sup> G. D. H. Cole, *Living Wages: The Case for a New Minimum Wage Act*. New Fabian Research Bureau Pamphlet, No. 42.

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statutory authority over all insured workers not already in receipt of a legal minimum through the existing Trade Boards or the Agricultural Wages Act. This body would fix a general basic minimum, and also special wages in particular trades, where desirable. It would be open to any representative body of employers or workers in any trade covered by the Commission to request the establishment of a regular Trade Board for that trade. A third method of procedure has been proposed by Mr. Harold Macmillan.<sup>1</sup> In his view a Minimum Wage Act should be passed laying it down that at the end of each year following the passing of the Act wages of all workers then below the minimum should be advanced by at least one-fifth of the amount necessary to bring them up to the minimum. It would be the business of the trade unions or the Trade Boards to see that these progressive increases were made; in cases of failure to do this they would report the matter to a Minimum Wage Tribunal. This scheme, however, seems to make insufficient provision for those workers employed in small concerns and in unorganized trades where the vigilance of trade unions and Trade Boards would not be exercised.

It would obviously be desirable to link minimum wage legislation to the legislation needed to reorganize the chief industries under public control on the lines already indicated. The increased efficiency of these industries should make the payment of higher wages generally practicable. Further, it would naturally be one of the first principles in the policy of a public service to pay fair wages to all its employees. If for any reason a particular industry under public control found it economically impossible to pay a recognized minimum wage to any section of its employees, it is

<sup>1</sup> Harold Macmillan, *The Middle Way* (Macmillan, 1939), p. 306.

suggested that that industry should be subsidized to the required extent from the profits of more prosperous industries. There are obvious objections to paying public subsidies to an industry in private hands (though this has been done often enough in recent years); but these objections do not exist when private interests are eliminated. Thus we look forward to the time when the essential industries and services organized under public service boards or similar bodies will guarantee a minimum standard of life to the bulk of the working population. According to the scheme we have outlined it will be the vigorous and expanding industries that will remain outside the socialized organizations; these, in the nature of things, will be able to pay good wages.

In addition to the minimum wage, the principle of family allowances must receive careful attention as a means of relieving poverty. Mr. Rowntree urges the introduction of family allowances as a measure supplementary to his scheme for minimum wages. It will be remembered that his calculations regarding the minimum standard of income were based on the needs of a man, his wife, and three children. Now even if the Rowntree minimum were universally established, the needs of poor families with more than three children would not be met. And actually young children are the greatest single cause of poverty. Mr. Rowntree therefore proposes that special State allowances of, say, five shillings a week should be made on account of each child in excess of three.

But a very strong case—I would say an unanswerable case—can be made out for a much more thoroughgoing system of family allowances.<sup>1</sup> As things are, wage-rates

<sup>1</sup> See particularly Eleanor Rathbone, *The Disinherited Family* (Allen and Unwin, 1924); and *The Case for Family Allowances* (Penguin Books, 1940).

bear no intelligible relation to need. (We can put aside, of course, the notion that a wage-rate is determined solely by "what the industry will bear.") A particular job is paid, say, £3 a week whether the earner is a bachelor, a married man with no children, or a married man with several children. A bachelor with this income may be comparatively well off, while the married man with children cannot make ends meet. Yet the sum of £3 is certainly fixed with some vague reference to the needs of a married man; for when women demand equal pay for equal work, the argument of their opponents is always that a man's earnings must be sufficient to maintain a family (of unspecified size). The fact is that the £3 is a rough figure resulting from an unsatisfactory compromise between the requirements of a single man and a family man; and such a wage leaves the man with several children intolerably poor. The difficulty would be removed, of course, if it were possible to raise all wage-rates considerably above the poverty level. While we are waiting for this to happen, however, the payment of additional sums on account of children is the natural way out.

Schemes for family allowances have for some time been popular abroad, especially in France and Belgium, where groups of employers have instituted voluntary arrangements. In Great Britain the trade unions have in the past consistently opposed such a policy through fear that their bargaining power in regard to wage-rates would be weakened. That opposition may now be ended, however, by the decision of the Trades Union Congress General Council (March 1942) to accept the principle of family allowances, provided they are paid by the State and are non-contributory and free from a means test.

What would be the cost of an entirely State-paid

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scheme? In response to public interest in the subject, the Chancellor of the Exchequer issued a White Paper in May 1942 giving official estimates. The estimated gross annual cost of a non-contributory scheme providing allowances of five shillings a week in respect of all children under fifteen (or receiving full-time education if over that age) would be £132,000,000. If the first eligible child in each family were excluded, the gross cost would be £58,000,000; and if the first two eligible children were excluded, it would be £23,000,000. But if these allowances were paid there would be savings on other payments such as those for children of the unemployed, for orphans and for widows' children, and on income tax rebates for children. At the high level of war-time taxation the sum to be offset in respect of income tax rebates would be very considerable. The Chancellor estimated that the net figures corresponding to the three amounts given above would be £64,000,000, £39,000,000, and £19,000,000.

I should mention an important proposal embodied in Mr. Macmillan's scheme for the planned reorganization of our economic life. Emphasizing the seriousness of the widespread malnutrition which is the result of poverty, he seeks a method of ensuring that the poorest classes shall be able to obtain cheaper and therefore more adequate supplies of essential foodstuffs. It is all a question, of course, of raising the incomes of these classes. But real incomes can be raised by cheapening commodities. Greater cheapness of essential foods could be secured by standardized production and more economical distribution. Certain items of food entering into all family budgets lend themselves to standardized production and highly organized distribution because they are convenient to handle in bulk, they are not bought in widely different quantities by families

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at different income-levels, and there is little or no consumers' choice in regard to them. These items are milk (including condensed milk), butter and margarine, cheese, eggs, bread (including flour), potatoes, and sugar. For most of them marketing organizations of producers exist already. Mr. Macmillan suggests the creation of public utility organizations for the national distribution of these products. The delivery men of these distributive agencies would call at every household (for every household is a customer for these things) in much the same way as the postman calls. For bread, which is now baked by a multitude of small firms, he would set up large national bakeries obtaining their flour as cheaply as possible through central bulk purchases, and using the most efficient equipment. They would deal in standard bread only. In view of the waste involved in the present system of competitive distribution of these essential foodstuffs, there can be no doubt that such a plan of national distributive agencies would effect considerable economies and would cheapen the products to the advantage of the poorer classes.

The measures for alleviating poverty so far discussed have no great novelty: the minimum wage and family allowances have indeed long been advocated by political reformers. If these proposals were carried into effect and met with the hoped-for success they would secure a minimum standard of life to wage-earners in normal circumstances. But such misfortunes as unemployment, short-time working,<sup>1</sup> and prolonged sickness would still drag down those with a barely sufficient income to a position of actual

<sup>1</sup> During the war, under the Essential Work Order, the principle of the "guaranteed week" has been extended to large bodies of workers in the key industries. A worker receives a full week's pay even if, through causes beyond his control, he is prevented from working all the time. It is to be hoped that this principle will be retained as one of the measures of reconstruction.



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poverty. Is not a more radical and simple solution of the problem possible? Could we not, for instance, distribute equal and adequate rations of essential commodities to all members of the community so that every citizen could be sure of having his basic needs supplied? Could we not, in fact, establish the principle that we should all, as a matter of course, be given by the State enough to live on, while our personal effort would be required to provide ourselves with additional comforts, luxuries, and pleasures? Such an idea of an equal sharing of the common pool of essential commodities need not be regarded as the dream of a communist Utopia. So long as there are sufficient of these commodities to go round—and we know that there are—there is obviously no theoretical impossibility in such a scheme. The difficulty is the purely practical one of devising suitable machinery for distribution. Mr. K. W. Bevan has pointed out that the methods of war-time rationing could be extended and adapted for the purpose of providing free distribution of essential commodities.<sup>1</sup> Ration coupons could be issued in the first instance in respect of specific quantities of basic foodstuffs, and later, when the scheme was in good working order, in respect of minimum requirements in rent, clothes, lighting, and heating. These coupons would be accepted as legal tender in payment for rationed goods and services; food coupons would also be accepted in hotels and restaurants. The banks would issue credit to retailers and others to the amount of the coupons collected by them, and the banks would in turn debit the government with the sums involved. The State would recover this amount by means of a rations tax levied on individuals, and deducted as far as possible at the source. The rate of tax would be a sliding scale

<sup>1</sup> Letter to *The Times*, March 18, 1941.

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based on the income of the person ; that is to say, the bachelor would pay the same as a family man with equal income. Except in cases of shortage the individual's consumption of a commodity would not be limited to the rationed amount ; he could buy additional quantities for cash.

Such a scheme would no doubt involve many tricky points of detail, but in general it seems to me to be quite practicable and deserving of serious consideration. Certainly it would provide a very effective means of securing a more equitable distribution of wealth. Every income-receiver would give up a proportion of his income to meet the cost of the rations system, but, though all would receive the same quantities of rations, the rich would pay more than the poor.

Would this scheme of guaranteed rations have the demoralizing effect generally associated with the State provision of " bread and games " ? Would it dangerously sap the desire to work ? I do not think so. (But certain reservations—discussed in Chapter X—must be made.) The vast majority of human beings prefer work to idleness ; and there would always be the inducement of obtaining extra commodities and services by means of increased income. The position of the unemployed would, of course, be improved, because they would be guaranteed adequate food and housing. (Unemployment relief in money would be reduced to the small sum necessary to supplement the payments in kind made automatically by the rations scheme.) Those who cling to the traditional view that the individual is responsible for providing himself with work will object to making the position of the unemployed too comfortable. But such a view is no longer tenable. The provision of work has become a social responsibility, and as a general principle

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it is wholly unjust to condemn a section of the community for whom no work can be found to permanent undernourishment and inadequate housing as is the case under the present system.

It is worth mentioning that a plan for guaranteed rations would go far towards solving one of the problems raised in a previous chapter. There is always within the community a certain proportion of individuals who are careless of material conditions and wish to devote themselves to the things of the mind and to pursuits bringing little or no economic reward : they want to occupy themselves in literature, art, scientific investigation, political and social activities, or philosophic and religious contemplation. If they pursue their aims with genuine passion they ask for nothing more than a subsistence. Under a system of rationing they would be provided for. They would be enabled to carry on their personal tasks in freedom ; and they could give as little or as much attention to material needs as they chose. The result of their unhampered activity might be of incalculable benefit to the social and cultural life of the community.<sup>1</sup>

### *Inequality of Income*

We have so far confined our attention to the lowest economic stratum of the population. Let us now widen our outlook to include income-receivers of all grades. The general fact of the gross inequality in the distribution of wealth in our present society is notorious ; but once again the main figures are worth quoting as giving a shock to complacency and a stimulus to action. The estimated figures for the year 1929 have been given by Mr. Colin Clark in *National Income and Outlay* <sup>2</sup> ; the figures would

<sup>1</sup> See pp. 243-46.

<sup>2</sup> Macmillan, 1937.

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have been roughly the same, he says, for 1935. It appears that only one-tenth of the whole working population received incomes of over £250, and they took nearly a half of the total amount of personal incomes. At the top of the scale a small class of  $1\frac{1}{2}$  per cent. of the population with £1,000 a year or more took almost a quarter of the total amount. (These figures do not allow for the deduction of direct taxes.) About 60 per cent. of all the incomes were less than £125 a year.

Thus the wealth which is so conspicuously displayed in our great cities is in very few hands. Even allowing for the incidence of taxation a small class obtains an astonishingly disproportionate share of the national income: the great bulk of the people receive quite small incomes. The average income in 1935 was about £190. A clerk who earned more than £5 a week was in the top tenth of income-receivers.

Great extremes of income are characteristic of the richer capitalist States; they are found also in the Soviet Union in its present phase. For examples of societies in which there is no class of exceedingly wealthy citizens we must go to the smaller democracies of Scandinavia. With reference to these Sir Ernest Simon writes (in 1939):

While salaries in Sweden are substantially lower than in England, in Denmark they are lower still. For instance, a university professor in England gets an average salary of perhaps £1,100 per annum; in Sweden £800, in Denmark £500. Cabinet ministers in England receive up to £5,000 per annum, in Sweden just over £1,000, in Denmark substantially less than £1,000. In England judges in the House of Lords get a salary of £6,000 a year. In Denmark there are thirteen judges of the Supreme Court; their salary is about £650 per annum; only one of them owns a motor-car.<sup>1</sup>

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<sup>1</sup> *The Smaller Democracies* (Gollancz, 1939), p. 133.

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This comparison takes no account, of course, of the inflated incomes received in England from business.

Such a wide range of incomes as is found in this country is both irrational and unjust. It is irrational since an individual cannot profitably use for his own gratification more than a certain amount of money. There comes a point at which an addition to his income is attended with little or no extra satisfaction. He would thus suffer no hardship if he were compelled to hand over to the State all his income in excess of a given figure. Present extremes of income are unjust because the creation of wealth is essentially a co-operative process : no matter how able and energetic the industrial enterpriser may be, he works within a set of conditions which are the social heritage, and with the assistance of all sorts of facilities which he himself has had no part in providing. He cannot therefore justify the retention of excessively high monetary rewards on the ground that they result solely from his own efforts. Social wealth is created by the efforts of all for the enjoyment of all. It cannot be right for anybody to have more than enough of that wealth while others have less than enough.

The familiar argument that if all the superfluous wealth of the rich were divided equally among the poor the recipients would get only a trifling addition to their means leaves out of account the essential political aspect of the question. What matters is not so much that certain individuals receive far more than they should as that the wealthy few form a privileged class apart. I do not believe that we are ever likely to achieve a community in which there are no class distinctions ; nor is it even desirable that we should. Class distinctions of a kind must exist so long as there is variety in human endeavour and attainment. But it is impossible to defend a system in which mere wealth,

much of which has not even been acquired by the efforts of its possessors, is the essential criterion of social gradation, and in which the classes are in effect segregated in different worlds. Without an approximation to economic equality there can be no genuine social health. In a society such as our own, rich and poor live in such different environments that true community of outlook is impossible.

There is no effective reply to the argument that the political equality on which democracy professes to be based is incompatible with great economic inequality. In a formal sense all citizens of a democracy are equal through the possession of a vote. But when we look at the matter from the point of view of active citizenship the case is very different. We need not dwell on the various ways in which political power can be exercised illegitimately by those who wield economic power. Consider rather the case of the man of poor and humble family who wishes to take up an active political life. He is at an obvious disadvantage as compared with his privileged competitors belonging to the wealthy class. His education and home circumstances will not have been such as to bring him into touch with the Right People ; and when he seeks to get his foot on the first rung of the professional or political ladder he will usually find the way blocked by one of the privileged class who is already two or three rungs up. Moreover, whereas the poor man must carry on public work as an activity additional to earning a living, the rich man can devote his whole time to his public career, and can also afford to employ the services of others to relieve himself of the donkey work. A Parliamentary career is closed to anyone who cannot find the considerable sum of money required for election expenses, and who cannot face the financial uncertainties entailed by the precarious tenure of a seat in the House of

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Commons. Outside Parliament and the Civil Service a great deal of important public work—some of it voluntary, some of it paid—is carried on for the purposes of investigation and administration. Members of the various committees, commissions, and boards engaged in this kind of work are naturally drawn mainly from the financially independent and leisured class.

In order to point the contrast observable in a democratic society in which wealth counts for far less than it does here, let me refer again to Sir Ernest Simon's comments on the tone of political life in Norway, Sweden, and Denmark immediately before the war :

The socialist leadership in all three countries can be fairly described as outstandingly good. All three Prime Ministers were manual workers, and have educated themselves to a high standard. . . . They live in modest circumstances ; none of them has an income of over £1,000 a year, no official house, no motor car ; it is even said that none of them has a really competent private secretary. The Prime Minister of Sweden goes to his office in a tram ; the Norwegian ministers, seeing off the Crown Prince recently, walked to the station on a rainy afternoon.<sup>1</sup>

Such a picture of genuine simplicity in political life will never be reproduced in this country so long as economic facts are what they are.

Our class divisions are fixed and perpetuated by our system of education which includes one set of schools for the poor and another for the rich. No fundamental social equality will be attainable so long as the public schools retain their present position and influence. These schools depend for their existence on a class of people who can afford to pay more for the education of a single child than must suffice for the complete maintenance of many a

<sup>1</sup> *The Smaller Democracies* (Gollancz, 1939), p. 169.

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working-class family. Not long ago these schools were subjected to considerable criticism on account of their educational deficiencies. That phase has passed ; they have generally modernized the curriculum ; and it is now the fashion to hold them up to admiration as an indispensable formative element in our national life. No dispassionate observer will deny that the public schools do certain things extremely well. But it must not be forgotten that they are essentially a class institution ; and the special quality of their educational achievement derives from the pupils' home background of culture and financial ease.

In recent years the public school class has shown signs of uneasiness at its position of privilege. Its spokesmen have talked with vague good-will but with little good sense about making the advantages of the public school education available to the masses. There are suggestions of scholarships to be awarded to selected pupils from elementary schools. It is perhaps unfortunate that such proposals should be made at a time when these same public schools are facing a financial crisis, and may be compelled to call for State assistance ; but we will let that pass. What exactly are the intentions of the reformers : A typical suggestion has been made by Mr. Hugh Lyon, the headmaster of Rugby.<sup>1</sup> He proposes that the Government should pay outright for the education at boarding schools (first at preparatory and then at public schools) of a select number of elementary school children between the ages of roughly eleven and eighteen, the annual amount paid for each child to depend on the means of the parent. The children would be chosen partly by examination and partly by interview. What percentage of grant-aided children should be taken by any one school ? Here Mr. Lyon, like

<sup>1</sup> *The Spectator*, January 24, 31, 1941.



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all in his camp, shirks the central issue. He says that while the percentage should be small at the start, "there should be provision for a regular and automatic increase in this percentage, up to a limit which at the moment can scarcely be defined." But it is precisely this limit which is all-important. If only a small percentage of elementary school pupils are admitted to a given school, the change will be without appreciable effect on the character of the school or on the quality of national education. If, on the other hand, the scholarship holders form anything like a majority, the character of the school will be destroyed. The education given may be first-rate, but it is idle to suppose that the school will achieve the same results as at present when it will be dealing with pupils who lack the economic and social advantages enjoyed by the public school class. To talk of "democratizing" the public schools is to talk nonsense. And there is another aspect of the matter which seems to be overlooked. Do those who suggest the importation of a limited number of poor boys into a public school think of the effect on the boys concerned? They propose to take a clever boy from a back street in Lambeth, put him into the patrician environment of Eton, Harrow, or Winchester during the term, and return him to his family in the back street in his holidays and when his schooldays have finished. How good for the boy, and for his parents! I do not know whether the advocates of such a course really want a radical transformation of our educational system, or whether they are merely making a democratic gesture to the masses. Certainly, in so far as their problem has to do with genuine educational and hence social equality for all, it has already been solved. There is a complete system of State schools now in existence. It only remains for people of the wealthy classes to send their children to

them, and then for people of all classes to see to it that enough money is spent on them to provide the best possible educational conditions.

It is evident that economic inequality sufficient to produce social cleavage is to be condemned. Is any inequality at all to be desired? I hold that some measure of inequality is not only inevitable but good. We demand liberty as essential to full human development; therefore, as Señor de Madariaga has pointed out, we must accept inequality as a necessary consequence. Liberty and equality, whatever the French revolutionaries may have thought, are incompatible. The community is the school where, in the free exercise of his abilities, the individual gathers the experience which is the end of life. But, if this man exerts his powers in their full vigour and that man neglects both his powers and his opportunities, the one must rise and the other fall. One man has no desire for worldly possessions; another regards them as a necessary element in the experience of life. In a free society in which property-owning is not a crime, may the second be denied the opportunity to acquire more possessions than the first and to learn the lesson that acquisition provides? Without the varied texture produced by inequality—economic inequality as well as the inequality of ability and attainment—life would lose its value as a field of experience; and it would certainly lose its savour. The only valid interpretation of equality in the slogan "Liberty, Equality, and Fraternity" is that which depends on the third term of the phrase—equality of *treatment* based on brotherhood. This implies that all men, while taking their place in the social groups to which they naturally belong in virtue of their character, ability, and energy, will yet regard themselves primarily as members of the one great society and think of their fellow citizens

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of whatever level as meriting equal consideration with themselves.

On this view it would be wrong to set up the complete levelling of incomes as an ideal even for the remoter future. And as a matter of immediate practicality it is clear that no such policy can be considered so long as we adhere to the method of peaceful change. The age-old belief in a man's right to enlarge his experience and add to his enjoyments by his personal efforts is still so powerful and so widespread that it cannot be flouted with impunity.

Practical policy should aim at a redistribution of incomes so that the limits of variation are very much narrower than at present; and, of course, it should include the raising of the lower limit in order to provide a higher standard of life for the masses. It goes without saying that we should establish the general principle that incomes should be derived from work. As to the method of contracting the extremes of income there is no particular difficulty. The exigencies of war finance have accustomed us to taxation of unheard of severity. The 1941 Budget made it practically impossible for anyone to retain more than £3,000 a year.

Reference should perhaps be made to a stock objection to the elimination of very large incomes. It used to be generally held by economists that a serious reduction in the inequality of incomes would interfere with the supply of capital for investment, and would therefore tend to limit the amount of production. In so far as the economic system depends for its fresh capital on the savings of private persons it is likely to obtain it more freely where there is considerable inequality—that is to say, when there is a class of rich people seeking an outlet for money that is surplus to their personal needs. For many years, however,

J. A. Hobson preached the heresy that over-saving was a prime cause of industrial depressions: as a result of the inequality of incomes the rich saved more than was required for capital investment, whereas the poor consumed too little of the product of industry. Towards the end of his long life his doctrine began to win acceptance. In his *General Theory of Employment* Lord Keynes has said that Hobson's first book, *Physiology of Industry*, "marked an epoch in economic thought," and was the first explicit statement that "capital is brought into existence not by the propensity to save, but in response to the demand resulting from actual and prospective consumption." Leading economists now emphasize the importance of the savings of corporate institutions as compared with the savings of individuals; and it is pointed out that, if new capital for investment were not forthcoming in sufficient amounts from private sources, it could be secured in other ways.<sup>1</sup> In the new economy of restricted private enterprise to which we look forward it is evident that the process of capital investment would have to be adapted to the new circumstances, and new methods would be devised and operated by the National Investment Board.

It would not be possible to make an effective reduction in the inequality of incomes without tackling the question of inheritance. The wealth of the richer classes is obtained partly by saving and partly by bequests—and saving accounts

<sup>1</sup> Cp. Lord Keynes, *General Theory of Employment* (Macmillan, 1936), pp. 372-73: "Experience suggests that in existing conditions saving by institutions and through sinking funds is more than adequate, and that measures for the redistribution of incomes in a way likely to raise the propensity to consume may prove positively favourable to the growth of capital." See also Josiah Wedgwood, *The Economics of Inheritance* (Penguin Books, 1939), ch. I. It is here suggested that the corporate savings of companies could be stimulated by legislation or preferential taxation. There is also further scope for saving by the Government and the Local Authorities. Government savings could be used in appropriate circumstances to finance industries.

for less than bequests. Josiah Wedgwood has investigated the amount of the savings and of the inherited property in the generation between the years 1885 and 1912. He estimates that about three-fifths of the total property was derived from inheritance. More recent figures would be likely to give the same result.<sup>1</sup>

In our present society freedom of bequest is generally taken for granted as a necessary and desirable adjunct to the private ownership of property. It is impossible, however, to discover a sound ethical basis for unlimited freedom of bequest. Nobody nowadays is likely to maintain in its full crudity the doctrine of the natural right of a man to "do what he likes with his own." If this idea is put aside, we have to consider the argument that a man has a right and, in fact, a duty to provide for his wife and children. Clearly he can make such provision by gift during his lifetime. When a parent has provided his children, as J. S. Mill says, with "such education and such appliances and means as will enable them to start with a fair chance of achieving by their own exertions a successful life," has he not done for them all that he ought to do? But suppose we admit the claims of a man's family to receive special benefit from the inheritance of his property, on what grounds in reason is it possible to justify the existing principle that remoter relatives should so benefit? And on what grounds should a man be allowed to control the disposition of his property, as by entail, for generations after his death?

It is argued that the limitation or abolition of the freedom of bequest, like the severe restriction of the accumulation of private property, would tend to weaken individual economic effort and so adversely affect the volume of production. It is assumed that the desire for

<sup>1</sup> *The Economics of Inheritance* (Penguin Books, 1939).

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personal enjoyment of wealth and the wish to provide for a family are the prime motives for hard work and saving in the individualist system. I believe that economists exaggerate the relative importance of these particular incentives to enterprise. Probably the desire for power and the desire to do a job well are equally important. All these various motives should, of course, receive their due weight in framing policy. At the same time, if we decide on moral grounds that greater equality of incomes is necessary, and that therefore the existing laws of inheritance should be altered, it is useless to adduce purely economic arguments in opposition. When we decided at the beginning of the first world war that it was in the public interest to limit the hours of opening for public houses, we were not disturbed by the thought of the losses to publicans and brewers. When Mr. Gandhi, in his aversion from western industrialism, urges his followers to revert to the use of the primitive spinning-wheel, it is obviously useless to remind him that the success of his policy would involve the ruin of the Bombay cotton mills.

In the existing state of public opinion it would probably not be difficult to secure some alteration in the laws of inheritance ; but we could hardly expect to obtain general consent to the abandonment of the individual's traditional right to hand on his property after death to his children. The general principle on which we should have to proceed, therefore, would be that property might be inherited by a man's children, but that after their death it should revert to the State. The technical problem involved in devising appropriate measures in place of the present Death Duties is an intricate one which can be left for the lawyers and statisticians to solve when the time comes.

There is one final point of importance in connection

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with policy for reducing inequality of incomes. Public action should not be considered complete when the essential business of redistribution has been achieved ; it should include measures to deal with certain awkward but inevitable consequences. If all the rich are to lose most of their wealth, we shall see the break-up of the landed estates, the abandonment of the great houses in both town and country, and the dispersal of famous libraries and art collections. This process has, of course, already been taking place as the result of the high taxation of the rich in modern times. Hitherto, however, we have been content to let the process take its course without any serious concern as to whether we have allowed things to perish that might have and ought to have been preserved. Economic levellers have let moral enthusiasm make them rather reckless. They may dismiss as mere sentiment the regret which those with a sense of history feel at the disappearance of the last remains of feudalism. But they can appreciate that the great houses with their fine parks, their libraries, their furniture and pictures, though private property, are part of the English heritage : and we should not be indifferent to what happens to them. A fine specimen of domestic architecture need not disappear simply because the owner cannot afford to keep it up and it does not happen to be suitable for a school or an hotel ; nor need its fine park be allowed to suffer devastation in order to fill the pockets of the speculative builder. These things are a form of public amenity that we cannot afford to lose. Yet it is obvious that they will be lost if we carry through a policy of levelling incomes without making provision to control the wholesale disposal of private property in land and buildings that must result. It is evident that the State will have to accept a certain amount of property in lieu of money-taxes, and when this

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property consists of land, the State will have to determine what is to be done with it. It must preserve what contributes to public enjoyment and find other uses for property whose form is obsolete.

But here we come to a particular aspect of the subject to be dealt with in the next chapter.



## CHAPTER IX

### NEW HOMES FOR OLD

In a previous chapter I pointed to the reconstruction of the urban centres of Britain as a means of providing a large amount of employment. We must now think of it as a task to be done for its own sake. The drabness, the disorder, and the downright ugliness of most of our towns is a damning criticism of the quality of our civilization. If the new social order to which we look forward is to have any reality, it must include among its primary requisites a healthy and beautiful urban environment for work, home-life, and recreation. Beyond the towns, too, there must be a countryside maintaining a flourishing rural population and offering spiritual refreshment to the town-dwellers—a countryside preserved from the abuses of modern transport and from the devastating encroachment of townsfolk seeking periodical escape from urban congestion.

For some time, owing mainly to the propaganda work of a number of devoted individuals and societies, there has been a growing awareness of the pitiful inadequacy of our towns both as mechanical aids to the business of living and as expressions of the civic spirit. The possibility of vast changes for the better has been brought home to thousands of people who hardly thought about the matter before by the destruction wrought during the war. Where whole areas have to be rebuilt it is plain common sense that the new shall be properly planned to be an improvement on the old. Town planners and all concerned with civic design

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have an opportunity which the halcyon days of peace have not hitherto afforded them ; and authorities in the towns that have suffered most from air-raids are looking forward to the creation of an urban scene truly expressive of civic dignity.

Our enthusiasm for the possibilities opened to us by post-war reconstruction, however, must be tempered by a knowledge of the very considerable obstacles in our path. There is, first, the Philistinism which is still the ingrained characteristic of the bulk of our people. Secondly, we must reckon with a set of property rights having the strongest sanction both in opinion and in law. Something like a revolutionary change will be needed in this respect if our more sanguine plans are to be carried into effect. If we underestimate the strength of these obstacles our visions of a transfigured Britain will once more prove illusory.

Nor must we underrate the magnitude of the physical task. The repair of war-damage represents only an initial stage of a process that will sweep away the bulk of the older town property to replace it by new building planned for efficiency, health, and attractiveness in design. In our metropolis and in our industrial towns we shall have to get rid of a mass of ugliness and squalor that is the legacy of the days when business was business and both money-making and money-spending were commonly uncontaminated by grace and beauty. Of the worst of this legacy—the slums—I need not speak. On this subject public opinion has at last been awakened, and we have resolved that the evil shall be ended : much has already been achieved, though there is much more still to do. But if we leave out of account the worst blots of urban housing we must still face the fact that a large proportion of town-dwellers inhabit houses which, though tolerable according to present-day minimum

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standards, are unsatisfactory in accommodation, lacking in air and light, and drab in appearance ; and, of course, in many urban districts the poorer families have to be content with makeshift flats in houses not originally intended for subdivision of this kind, and never since properly adapted to their status of degeneracy. This is to look at conditions from the point of view of mere utility. If we allow ourselves to be swayed by æsthetic considerations there are large areas of our industrial towns that excite nothing but horror. They were built at a time when architectural taste was at its lowest ebb, when the chief aim of the speculative builders was to get the maximum amount of bricks and mortar on a given space, and when streets were conceived of merely as thoroughfares giving access to houses. It did not occur to the Victorian builders of industrial property and working-class houses that a district might be planned as an architectural whole ; that houses, streets, commercial and public buildings, together with open spaces, might be grouped in a single design to bring solace and pleasure to the human spirit. Such a conception of ordered dignity in domestic architecture had found expression in the work of the eighteenth-century and Regency builders ; but the squares and crescents of London, Bath, and Edinburgh were created in response to the demands of aristocratic taste. In the new industrial democracy neither the workers nor their employers could afford the luxury of art. The results of this period of urban development in our capital city are distressingly apparent to all who journey by rail to the central main line stations, or who take a bus ride through the inner suburbs. To anyone with a perceptive eye and a mind awakened to what might be achieved there are few more depressing experiences.

But amongst the few more depressing experiences must

be accounted a survey of the building done in our own time, especially in the last few years. Before we become too self-righteous in our condemnation of the architectural barbarism of the Victorians, let us remember our own mistakes, and indeed our own crimes, which are on a scale unparalleled in earlier generations. In the period of new building needed to make good the housing shortage after 1918 we had a fine opportunity to conduct urban expansion on ordered lines. But how sadly we missed it. The general principles of planning were neglected; and, apart from isolated public housing estates, the land on the outskirts of towns was left to the indiscriminate activities of the private builder. The great burst of speculative building unfortunately coincided with the enormous growth of motor transport. In the days when limited transport facilities enforced a due separation between town life and rural life speculative builders confined their ravages within certain areas. They now spread havoc beyond the suburbs into the countryside itself.

The senseless and chaotic expansion of London is the egregious monument of unplanned development. It is not merely that the metropolis has been allowed to exceed reasonable proportions, and that the epithet of the Great Wen has acquired an appropriateness that Cobbett scarcely dreamed of. Industrialism has been allowed to settle promiscuously in residential areas, with the natural results in disorder and ugliness. Some of the newer suburbs providing the cheapest houses are standing examples of the worst sort of jerry-building: in a few years they must inevitably produce a new crop of slums. The outward surge of the wave of building has engulfed land that should have been reserved for open spaces, so that now there is a serious shortage of playing-fields. The poorer inhabitants

of the inner districts are, of course, almost completely debarred from access to the open country. The belated creation of a Green Belt is to be commended as an effort to save something from the wreckage ; but it is not of much use to the people of Bethnal Green or Bermondsey, who (except for the younger cyclists) cannot reach it without a considerable journey and prohibitive expense. As to the effect of the overgrowth of London on the working life of the inhabitants, we have to contemplate the hours wasted daily by suburban workers in travelling to and from their employment. In describing the encroachment of uncontrolled urbanization in the immediate neighbourhood of the capital we have not finished the picture. There is no rural district within fifty or sixty miles of the centre that is safe from "development" : at any moment a patch of meadow and woodland may suffer rapid transformation into rows of desirable "Jacobethan" residences.

Along the new main roads that radiate from London and sear the English landscape we have allowed to spring up a disorderly collection of factories, housing estates, garages, refreshment shacks, and cinemas. Elsewhere, what were formerly quiet country roads are ribboned for miles with aggressively suburban houses. Our downland is defaced by collections of bungalows sited according to the primitive principles of the squatter. Our coast-land has been abandoned to the viler sort of commercialism and has been made hideous with building of incredible vulgarity. In twenty years, in fact, we have produced so much ugliness and muddle, both concentrated and sporadic, that nothing short of wholesale demolition could put it right.

Yet we have turned "Victorianism" into a term of reproach, and preen ourselves on our better taste in design.

What justification is there for such complacency? There is certainly, among the few at any rate, an awareness of what might be achieved in properly directed domestic architecture and civic design, and examples of this kind of achievement have been given us by some of the city and other local authorities. There is also a certain amount of fine private work being done, especially in larger buildings—blocks of flats and offices, factories, places of entertainment, railway stations, schools and churches. People of taste, also, are bringing good design into the small house. But the common run of commercially-built small houses show very little advance on those of an earlier generation. Their one advantage is the larger garden-space, back and front, which gives the road a green pleasantness which Victorian streets generally lacked. But considered architecturally, the typical suburban semi-detached houses have little enough to commend them. When they do not affect a pretentious originality, their design, if design it can be called, panders to an absurd historical romanticism and a futile nostalgia for the countryside. We laugh at the Victorian love of Gothic imitation. What of our bijou baronial halls, and the half-timbering and other period features that our suburban builders throw in as a matter of course? We are sarcastic at the expense of Victorian solidity. Is the patent shoddiness of much of our building preferable? In the "superior" residential districts of our time the line of semi-detached houses gives place to detached houses allowing full play to the owner's or the architect's personal taste. In the same road—newly cut through open land—may be seen in distracting variety an Elizabethan manor house, an old Sussex cottage, a square Georgian villa, an "ultra-modern" white concrete box complete with roof-garden, and some mongrel types whose chief claim to notice is that they are

"different." Whether a road consisting of such an ill-assorted collection and eschewing any attempt at architectural unity is an improvement on a long, substantial Victorian terrace or a row of identical Victorian villas is more than doubtful.

Whatever credit we may choose to take to ourselves for improved standards in architecture, we cannot claim to have made much progress in the infant art of town planning. The sprawling masses of heterogeneous building which have been added during the last two decades to our chief towns have made the problem of ordered urban reconstruction more difficult than ever. The larger cities have been allowed to grow far beyond the size that is consistent with a physically and spiritually healthy life. Industry has established itself in hitherto unspoilt parts of southern England, in spite of the fact that there were whole towns with full social services and idle factories waiting for a return of the industrial activity that had deserted them. For no sufficient reason, except that it was nobody's business to prevent it, a fifth of the population of Great Britain has now concentrated itself in the Greater London area, with the result that the millions who live year in and year out in this enormous agglomeration of bricks and mortar can look for nothing more than the second best in the matter of home environment. It is significant of the topsy-turvy conditions of urban development that the rapid growth of Outer London in recent years has been due largely to the policy of the transport companies. A great part of Surrey, Kent, and Middlesex has been covered with houses because the Southern Railway electrified and improved its services and the Underground Railways undertook considerable extensions. Transport came first; urbanization followed. Thus the sectional interests of transport have been allowed

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to determine the nature and extent of metropolitan expansion. There was no authority competent to relate railway policy to civic needs as a whole, and to ask whether additional housing accommodation ought to be provided where the railways chose to offer improved facilities, just as there was no authority to question whether more people should be attracted to London by the prospect of employment in newly established industries.

The rapid and startling change in the face of England in the last few years has opened our eyes—though almost too late—to the disastrous results of leaving building development in town and country in the hands of private individuals whose main concern is the exploitation of land values. We realize at last that we are in the presence of revolutionary conditions. Owing to the coming of motor transport and to the transition from steam power to electric power in industry, people can live almost anywhere and factories can be placed almost anywhere. Thus nearly all land is potential building land. It has become obvious that if we are to avoid confusion worse confounded we must regulate the development of both town and country by far-sighted planning. Since the first Town Planning Act of 1909 we have indeed been accustoming ourselves to legislative action for controlling urban and rural development. Unfortunately, however, our efforts so far have been partial and ineffective.

The defects in our planning legislation culminating in the Town and Country Planning Act of 1932 are now pretty generally understood. This Act is not the instrument of a positive policy by which the State either checks or encourages particular developments in accordance with a general conception of what the lay-out of town and countryside should be. On the contrary, it assumes the persistence



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of existing trends in the location of industry and in movement of population. The initiative in planning particular areas is left to the local authorities, who may be incompetent, who often lack the necessary financial resources, and who naturally cannot, and do not, regard the job from the point of view of national interests as a whole. In a large part of the country no action has yet been taken in relation to planning schemes, and many of the plans already approved by Whitehall are not strong enough. Excessive parochialism can be avoided if a number of local authorities combine to form a Joint Committee for regional planning ; and in some cases this is being done. But in the most important area of all there is administrative chaos : in the 1,986 square miles of the metropolitan area covered by the London Passenger Transport Board there are no fewer than 133 planning authorities. The action of authorities is further weakened by their liability under the Act to pay compensation to a person whose property is injuriously affected by the operation of a scheme : many projects which ought to be carried out are dropped for fear of the financial consequences. The Act also provides for the recovery of betterment where the value of property is increased by the operation of a scheme. It should therefore be possible to offset payments in compensation by sums recovered by way of betterment. In fact, however, the difficulty of proving the extent to which values have been influenced by the provisions of a planning scheme and of determining the amount of betterment to be claimed makes it unlikely that any large sums will be recovered from this source. Owing to the uncertainty in regard to compensation and betterment it is almost impossible for local authorities to reduce the density of building in central urban districts or to prevent open land on the outskirts of a town from being

built on. From these facts it is clear that existing legislation is quite inadequate to secure the positive and ordered development of the towns and the countryside.

Why has our action up to the present been so tardy and ineffective? We may make the obvious excuse, I suppose, that modern revolutionary developments took us by surprise. But fundamentally the trouble is that as a nation we do not care sufficiently about the matter. We have little sense of architectural fitness and little feeling for public amenities. Worse than that, we lack the desire for ordinary tidiness in public places. English standards of cleanliness and tidiness in the home are no doubt as high as those of most other nations; yet these standards seem to be in abeyance when it comes to matters of public rather than private concern. In our towns we tolerate sordid areas abandoned to derelict buildings and industrial refuse, just as in the beauty spots of the country we put up with the disgusting litter of sandwich-eaters and cigarette-smokers. We are not really worried by the indecent proliferation of suburbanism into rural areas. On the contrary, I fear that the majority of my fellow-countrymen actually like it.

But there is another and very serious reason for the ineffectiveness of the efforts that we have so far brought ourselves to make. Our planning legislation is vitiated by exaggerated respect for "the rights of property." This point brings us back from aesthetic considerations to social principles, which are the main theme of this book. I have so far purposely withheld any remarks on the ideas of property now current among us; but what I now say should be considered along with the criticism levelled in earlier chapters at certain fundamental attitudes in capitalist society.

Attacks on the capitalist system, whether from Marxist

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or from non-Marxist quarters, find their chief target in the abuses of private property. Into the question of the theoretical justification of the right of private property we need not enter. Most people are agreed that certain forms of personal property are essential to full individual development ; and even socialist Russia has found it expedient to restore some property rights which earlier communist enthusiasm had abolished. It is worth remarking, however, that in a country that has passed the pioneering stage property in land has a special character, since the amount of land is limited and therefore what one man has another man cannot have : no-one can by skill and enterprise produce additional land for himself (unless, for instance, he recovers it from the sea). Thus if the land on which the community ultimately depends for its livelihood is left in the hands of private owners, those owners have a very special responsibility.

Yet people who possess land commonly regard it like any other possession—furniture, books, jewels, pictures, motor cars : it is theirs to use as they like. The land-owner assumes the right to dispose of his property when he chooses to the highest bidder, and the right to refrain from selling it even though it is required for public purposes. Legal interference with his freedom of action is to be resisted as long as possible ; and if he accepts restriction of his rights he expects to be liberally compensated.

A man living on the coast owns a piece of land of no more than agricultural value until someone comes along and wants to build bungalows on it. Now even when such a procedure means the desecration of a beautiful piece of scenery and runs counter to public policy for preserving an open space, the owner considers he has a right to dispose of the land to the speculative builder ; and if he should forgo

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that right he still thinks he ought to receive compensation for not being allowed to take advantage of an opportunity that he himself did nothing to create (unless he had been astute enough to buy the land cheap in anticipation of what was going to happen). Or take another example, which is mentioned by Dr. W. A. Robson.<sup>1</sup> In 1923, before the extension of the London tube railway, land could be bought at Southgate for £160 an acre. In 1939, after the coming of the railway, it sold at £1,500-£1,600 an acre. The owners of such land considered that they had a right to all the profits from this tenfold increase in value; neither the municipal authorities, nor the London Passenger Transport Board, nor the Government—which guaranteed the interest on the money required by the Board for its extension—received a penny of the increase in value which they helped to create. Furthermore, if the local authority had wanted to withhold some of the land from building in order to provide a public recreation ground, the owner of that land would have claimed the right to compensation on a scale commensurate with the new values. Once more, it has to be recorded that profiteers in land-values were ready to take advantage even of the conditions brought about by the air-raid damage of the war. Realizing that the new buildings to be created in the bombed areas would be more expensive and up-to-date than those they replaced, so that the value of the land in both the actual and the neighbouring districts would be enhanced, these speculators were proceeding to acquire devastated sites surreptitiously at bargain prices with the intention of holding them till they could dispose of them at two or three times the price. Fortunately the Ministry of Works and Buildings intervened to prevent their little

<sup>1</sup> *The Government and Misgovernment of London* (Allen and Unwin, 1939), p. 408.

game. Otherwise we may be sure that they would have loudly invoked the rights of property in justification of their actions, and would have demanded the utmost protection of the law, and this notwithstanding the fact that the increased land-values would have resulted from rebuilding which had been paid for directly or indirectly by the State.

It is my case throughout this book that the characteristic attitudes of capitalist society must be brought to the test of ethical standards. In the matter of property rights as interpreted in these examples, however, such procedure is superfluous. It is waste of time to discuss the moral basis of such rights, for to admit them at all is just unintelligent ; and the law that supports them is a survival from a form of social organization long obsolete. In modern conditions they make for sheer chaos. The land of England, which sustains national life by providing natural resources and cultivation, room for dwellings, and space for recreation, is a communal responsibility and should be subject ultimately to communal, not individual, control. It is absurd for any landowner to imagine that he has the right to oppose his will to the needs of society in reference to his property, and in the last resort to hold the community to ransom. He can be allowed to exercise his own wishes only so long as they do not conflict with public needs.

It is equally absurd for the individual to assume the unqualified right to use urban land as he likes, for the erection of buildings of whatever kind he likes. Both our towns and our countryside are a communal possession to be made not only serviceable but beautiful for general enjoyment. But how can we secure comely building and harmonious street design in our towns, and how can we preserve the countryside from spoliation if individuals are to be left in unfettered liberty to build according to their

private whims or the dictates of commercialism? It is a fact, of course, that all sorts of restrictions are already imposed on building, both in urban and in rural districts; but the point is that private rights are greatly overweighted as against the public interest, and moreover the general attitude is that public control of this kind is an encroachment to be resisted rather than facilitated. This inertia of private ownership must be overcome before any great step forward can be taken in town and country planning.

It is generally agreed that the orderliness of the towns and the tidiness of the countryside in Germany form an impressive feature of the social scene in that country. How were these conditions created? It was essentially owing to the long-established attitude of the community towards the rights of property-owners. "For more than sixty years (comprehensive Building Regulations were made for Württemberg in 1872 and for Prussia in 1875) anyone wishing to build had, before doing so, to obtain permission of the local authority. Consequently, when an authority decided that it was not consonant with good planning that the proposed development should take place, or that it should only take place subject to severe restrictions as to height, set-back, etc., they were not depriving an owner of a right and, therefore, the question of compensation did not arise. On the contrary, the accepted theory appears to have been that building value was created by the community—not by the owner."<sup>1</sup>

The success of any comprehensive policy for town and country planning in the future will depend on a thorough revision of the legal position with regard to landed property. The ideal, and ultimately the most practical, solution of the

<sup>1</sup> Appendix IV of the *Report of the Royal Commission on the Distribution of the Industrial Population* (1940), p. 299.

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problem is undoubtedly the public ownership of the land ; it is the policy favoured not only by socialists but by experts in planning. It has, of course, been resisted by a large body of opinion in the past, and if, when the time for action comes, there is still serious opposition to full nationalization, it would be worth while to consider such alternatives as those set out in the *Report of the Royal Commission on the Distribution of the Industrial Population* (1940). One of these is that a National Development Board should be set up to acquire by compulsory purchase the development rights of all the undeveloped land in the country, these rights to be resold to individuals for approved purposes. The adoption of this plan has been subsequently recommended in the *Report of the Expert Committee on Compensation and Betterment* (Uthwatt Report, 1942). It is to be hoped, however, that the urgencies of the post-war situation will break down the opposition to public ownership of the land. It is obvious that new and drastic measures will have to be taken to make possible the replanning of the large devastated areas in our bombed cities. Vast sums of public money will be spent on the rebuilding of these areas. There will surely be no case for leaving the sites in private hands. The Government has already, in fact, announced that planning authorities are to be given adequate powers to enable them to replan devastated areas as a whole : the matter is to be the subject of special legislation. Landowners will be anxious, no doubt, to limit the scope of new legislation to the special cases of war-devastation. It would be a grave mistake, however, if we neglected to take the opportunity of putting the ownership of the whole of our land on a new basis.

When the necessary legislative changes have been made, the path will be prepared for the replanning and re-

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building of our towns. Replanning will bring ordered street design to the crowded and chaotic areas of old building in the central parts of the great cities, and will thus provide for present-day traffic requirements ; it will also promote the physical health of the citizens by bringing light and air into these districts. The size of our chief cities will also come under review. The aims of rebuilding will be to replace obsolete houses and other premises by new ones satisfying modern needs in accommodation and equipment, and to give architectural dignity and charm to the whole of the town environment.

Replanning must include the reclamation of urban land from bricks and mortar in order to provide adequate playing-fields and public gardens. This is of special importance in the largest cities in which the bulk of the inhabitants are deprived of easy access to the open country. Here, too, it is particularly necessary that ample space should be found for allotments. These afford town-dwellers a partial substitute for the country interests and pleasures they necessarily miss, and they certainly provide one of the most widely appealing leisure-time occupations. Large numbers of allotment-holders whose enthusiasm has been inspired by war-time needs would willingly continue to cultivate their plots if land were permanently available ; and, of course, there are many would-be cultivators in areas in which even in war-time no land could be found. Incidentally, there is no reason why land devoted to allotments should present the scrubby, disorderly spectacle usually produced by the collection of makeshift shacks for housing the gardening implements. Obviously properly constructed and attractively designed huts or sheds could be provided and the whole ground laid out so as to make a pleasant open space. Of course, the reclamation of land for



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playing-fields, public gardens, and allotments could not be carried out—especially in the central areas of the great cities where it is most needed—without the revolutionary change in outlook on which I have already insisted. If present ideas regarding compensation persist, the expense would be considered “prohibitive.” One can only hope that eventually the public mind will be penetrated by the incongruity between our willingness to pour out fourteen millions a day for an indefinite period on destruction and our refusal to find a few million pounds of non-recurring expenditure for essential social needs.

The problem of transforming London into a city offering anything like the best conditions for individual and social life is a special one, and one that seems almost insoluble. Even with all the modern facilities for communication Greater London is far too large to provide an ideal urban environment. No city should be so big that its inhabitants cannot easily get out of it. Excessive size, moreover, necessarily involves the loss of true civic character. The difficulties of our metropolis are aggravated by the chaotic state of the machinery of government for the area. Until there is a single authority competent to devise and control policy for the whole of the metropolitan area, no thoroughgoing replanning will be possible. But even after a complete reorganization of the machinery of local government, it is difficult to see how any but a second-best policy could be pursued. Ideally, the capital should not only be prevented from growing any further, but it should actually be considerably reduced in size. The prevention of further growth would be perfectly feasible if the State assumed compulsory powers to determine the location of industry. An actual reduction in size could also, no doubt, be effected if certain classes of business and

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manufacture were encouraged or compelled to move elsewhere. But a reduction in size sufficient to bring the bulk of Londoners within fairly easy reach of open country—which is obviously the desirable aim—could be achieved only by the evacuation and wholesale demolition of the mass of suburban property built in recent years. Such an undoing of what has been done amiss in the so recent past would seem to most people quite impracticable. But failing this, we must be content with what is at best a makeshift city. Slums can be cleared ; the drab suburbs can be re-planned and rebuilt ; for the chaos of individualism can be substituted civic design ; sufficient open spaces can be provided for such exercise and spiritual solace as a great city can afford ; and, if we are prepared to abandon the view that land in certain areas is so valuable that it can be used only for business purposes, we can ensure that even in the central districts none of the inhabitants shall be more than a few minutes' walk from a park or small public garden where trees, flowers, and grass can be seen and enjoyed. But when all is done, a London of several million inhabitants will still be an urban agglomeration rather than a city.

The problem of size, though of outstanding importance in the case of London, applies also to our other chief towns. With our present technical methods of production and distribution there is no reason why our population should be massed in a few main centres : it could well be spread more evenly throughout the country in towns of a size to give citizens the full benefits of urban life without complete divorce from the pleasures of the countryside. The experience of evacuation during the war may have caused many business firms to wonder whether the advantages of a central address in London or some other great city are

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as compelling as they used to think, and it may have brought home to their staffs the comfort of living near their work and in rural or small-town surroundings. But if the removal elsewhere of any considerable part of the population of London and the greater cities were contemplated, we should have to decide where to settle the people so removed. It has been urged that we should create a number of entirely new towns of, say, a hundred thousand inhabitants, on virgin sites. But surely we do not want more of our limited rural space to be swallowed up by towns and their necessary network of communications. The price to be paid for the undeniable advantage of planning *ab initio* is excessive. Still less do we want a ring of satellite towns around our overgrown cities. If, as is suggested, we surrounded London with several self-contained towns of this kind with a few miles of open country separating them, we should, in effect, hand over the whole of the home counties to urban development. Satellite towns are no solution at all of the problem of London, and they are an unsatisfactory solution of the problem of the bigger provincial cities. It would be far better to arrange for the moderate increase in size of a number of existing small towns. The concentration of population in a few great cities has come about chiefly for economic reasons which have no ultimate validity. Let us put an end to the process, and plan our distribution of population so as to assist the growth of a physically and spiritually healthy society.

The redevelopment of our towns must, as we have said, be made the opportunity for bringing architectural beauty into places to which it has been a stranger. No longer must the spirit of town-dwellers be oppressed by the ugliness and sordidness of their surroundings. But this means that we shall have to recast our ideas about the

principles of urban architecture, and also about the liberty to be allowed to the individual builder and designer. In the replanned towns of the future there will be much less scope than formerly for the private architect anxious to carry out his particular fancies in the matter of a single building. In urban housing, good design depends on masses : streets, squares, and other groups must be planned as a whole. And it would seem that more effective design can be attained with terraces of houses and with blocks of flats than with rows of small detached or semi-detached houses ; and nothing need be lost in comfort and efficiency. But however the plans are worked out in detail, the indispensable requisite is unity in design : and this implies the kind of team work that has been so successful in the best of the municipal housing estates. Leading architects in the future will regard it as their business to design blocks, terraces, and groups rather than single buildings.

Many people will no doubt deplore the prospect of architectural control by planning authorities as yet one more encroachment on individual liberty. I would suggest that, in the matter of building, the Englishman is unfit to be trusted with much liberty. His architectural taste is generally contemptible, and he lacks the steadying influence of a traditional style in building. What is more, he is only just beginning to develop any sense of public amenity. Left to himself, he will be quite content to live in a sprawling and formless suburb in which industrial and residential property mingle promiscuously ; and for his own home he will accept a house of any type so long as it incorporates some bogus period ornament, a few deceptive labour-saving devices, and a number of unnecessary chromium-plated bathroom gadgets. He is, in fact, at the mercy of

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any specious building contractor who has the wit to conceal unsound workmanship with meretricious attractiveness. It would therefore be a very good thing to keep him in leading-strings for a time. If we really want to make our towns places of beauty we had better put ourselves unreservedly in the hands of experienced architects of creative vision.

The carrying out of such schemes as those we have been discussing will require an executive organization such as we have scarcely yet begun to create. There must be a central authority for laying down the general lines of policy, and in each town and appropriate region there must be a planning committee composed of architects and others of specialized experience to control developments in their particular areas. The proper apportionment of land between the various uses of agriculture, urban development, and industry will be ultimately the concern of the central authority. It will be for the local planning committees to apply the principles of civic design to the rebuilding of the towns, and to preserve the amenities of the countryside.

The central planning authority, whose duty it will be to work out a master plan for the use and development of the national land and to supervise the operation of the plan, must clearly be invested with full executive powers. It must, in fact, have the status of an independent ministry. The majority of the Royal Commission on the Distribution of the Industrial Population were not ready to recommend the establishment of such a new ministry : they were content with an advisory body. But since their report was issued (in 1940) developments arising from the war have put a new complexion on the matter, and public opinion has made a remarkable advance to a position in which thorough-

going measures are being generally demanded. A decisive phase in the campaign for planning was indeed reached when Lord Reith, announcing the policy of the Ministry of Works and Buildings, stated that his department was proceeding to examine all the relevant problems on the assumption that the principle of planning will be accepted as a national policy, and that a central planning authority will be required. Since then the Ministry of Works and Buildings has been renamed the Ministry of Works and Planning, and a separate Ministry of Planning has been set up. The powers and spheres of action of these two ministries have yet to be defined.

But it would be a mistake to suppose that the struggle for a planned Britain is over, and that the efforts of propagandists in this cause need be in any way relaxed. The Ministry of Works and Planning will no doubt amass a great deal of valuable information on all aspects of the subject and will produce extremely attractive paper schemes. Most of the information really required, as well as excellent paper schemes, have already been made available by the voluntary agencies concerned with these matters. What will count in the long run will be the extent of the powers granted to the new planning authority, and the determination of future governments to let no private or sectional interests stand in the way of drastic reform. When the first flush of enthusiasm for a new order has passed, we may be sure that the strength of the opposition of private ownership will make itself felt : an immemorial tradition does not die easily. We may reasonably expect that efforts will be made to limit the scope of planning to the immediate problems arising from war damage, and to exclude those broader possibilities that fired the idealism of town and country planners long before the war brought them within

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the realm of practicality. State policy has been set in train in a way for which we had hardly dared to hope : exactly how far it will be carried depends ultimately on the enthusiasm of a public opinion stimulated and sustained by leaders who know what they want and are determined to get it.

## CHAPTER X

### CHANGE IN SOCIAL TYPES

THE social and economic system is the creation of the human spirit. The shape of the society in which we live is the result of the fumbling attempts of human minds of past generations and of our own time to give form and actuality to their ideas of the good life. But as the pattern of ideas undergoes constant variation, so the social mould which is their manifestation is also being constantly modified. Within this ever-changing mould the individual mind receives the impress of the age : yet always the mind remains unsatisfied within the confines of the mould. The process is one of interaction. Human purpose alters the social and material environment, and this in turn tends to produce new modes of behaviour and new attitudes to life. In the earlier stages of man's history, when material conditions changed very slowly, the process could remain almost unnoticed ; but the change in environment has been so rapid in recent generations that the evolution of new social types can be traced within the span of a lifetime. We become aware, too, of a new problem. We realize that if we succeed in bringing about a social and economic order very different from the present, we are bound to affect social attitudes. We ought, therefore, to try to foresee and allow for the social trends likely to result from our structural changes.

What is likely to be the character and outlook of society as affected by the transition from a mainly individualist to a mainly collectivist economy, from conditions of insecurity



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and struggle to those of security and ease : The new order that we are assuming is in its central principle the fulfilment of tendencies already strongly at work. We can, therefore, estimate future trends of behaviour by reference to those already in existence.

It would be generally agreed that independence of spirit—what used to be called “rugged individualism”—is a less common quality than it used to be. We submit to discipline—not to say regimentation—more easily than we did. From one point of view, of course, this is not a bad thing. Independence of spirit a century ago often showed itself in a callousness and violence of behaviour little short of brutality. We have lost much of the ruthless assertiveness that brought success in the earlier struggles of unmitigated competition. On the other hand, we seem to have lost also something of the genuine virtues of self-reliance and mental vigour that make for individual and social progress.

There are several reasons for this changed habit of mind. The general softening of manners in modern times has been brought about largely, of course, by the early discipline to which all classes have had to submit since the introduction of compulsory schooling. The diminished sense of personal responsibility and of independence, however, is a result of the machine civilization in which we live. Science has put into men's hands various forms of power that are dangerous if not kept under control : the individual, therefore, has to submit himself to restrictions imposed by authority if he wishes to use these forms of power at all. The motorist who insisted on exhibiting the old-fashioned rugged individualism on the road would meet with certain disaster. The machine-economy is also characterized by large-scale organization : the individual lives and works as a unit in a great mass, and so he seems to count for far less than he

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used to do. The greater the scale of human organization and the greater the power at our disposal, the greater is the need for general submission to rules and regulations. We know that unless we are prepared to obey the orders of the central authority—and to this extent to sink our individual wishes—life under modern conditions would be impossible. The machine has indeed profoundly influenced our amusements as well as our work. It has given us various forms of entertainment rendering personal effort unnecessary and thus inducing a habit of passivity. Whereas years ago people had to exert themselves and to employ their special gifts in order to provide themselves with amusement, they now just walk out to the cinema or football match or sit and listen to the wireless. Finally, the machine has enormously increased the means and power of propaganda. Advertising and other forms of publicity have helped to standardize behaviour; and the marks of standardized behaviour are the absence of independent judgment and the willingness to follow the line of least resistance.

The development of large-scale business and industry has had a far-reaching effect on the ordinary worker's attitude to his responsibilities. In the old days, when industry was conducted mainly on a neighbourhood basis, a man regarded it as his duty to provide himself with employment and with a livelihood. If he failed, it was thought to be his own fault: he was either incompetent or lazy. To-day, however, the great majority of workers cannot possibly provide themselves with work without the aid of some large organization that will direct their efforts into the channels in which they are required; and the ability of such an organization to provide work often depends on what is happening in remote parts of the world. Thus the worker is enmeshed in a vast network of causes and

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effects over which he has no control whatever. The Lancashire cotton-spinner who loses his employment through changes in India and the Far East can obviously feel no disgrace: his plight is due to a breakdown in economic controls. But the realization of his powerlessness in this respect will tend to weaken his sense of personal responsibility even in matters in which his initiative might be valuable.

Modern economic changes have been accompanied by developments in social legislation for the express purpose of transferring responsibility for welfare from the individual to the community. The worker of a previous generation had to make his own provision for the hazards of life—for unemployment, sickness, and old age; and he characteristically regarded it as a disgrace to "come on the parish" for relief. The present-day worker regards it as a matter of course, and generally as a matter of right, that he should be maintained by the State when he is out of work, that he should be pensioned when he is too old to work, that he should receive full medical treatment at little or no cost when he is sick, and that his wife should be provided for in the event of his premature death.

It must be understood that I am not quarrelling with the policy of State assistance that is producing the new attitude. All I am saying is that we must take full account of that attitude. We must beware lest the realization of the individual's necessary dependence on social assistance should degenerate into feeble acquiescence in conditions as they are and unwillingness to make the fullest contribution to the general effort. Qualities of independence and moral vigour will atrophy if they are not exercised, and it is all too easy for men to fall into the habit of demanding their rights while neglecting their duties.

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What we have to bear in mind is that the economic conditions to which we look forward in the future will tend to aggravate the social trends already in evidence. In the average man's working life there will be less and less call on his individual initiative. As the area of private enterprise is reduced, an ever larger section of the population will be withdrawn from the rough-and-tumble of competition. There will be, we hope, far greater economic security: in the big corporations, at any rate, workers will be guaranteed regular employment; and for the whole population there will be better provision than now for sickness, accident, and old age. Our aim, in fact, is to make life on the material plane much easier. No great individual effort will be required to reach the minimum standard of living. Personal initiative will be subordinated to central direction, and the quality most in demand is likely to be efficiency in carrying out instructions.

In considering the effect of economic policy and of social legislation on national character now and in the future we must give special attention to the question of State education. Universal free education has two aspects: in the first place it is the instrument of national culture; but in the second place, by relieving citizens in the poorer classes from the need to pay for the education of their children, it takes rank among the social measures providing an indirect addition to wages and salaries and raising the standard of life. It is thus linked to the economic scheme.

Let us recall what our system of State education involves. It means much more than free teaching. It includes free medical inspection and treatment. It maintains certain standards of nutrition: cheap milk is available in the schools, and in the depression years children in necessitous areas were given free meals. Pupils who leave elementary schools are

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looked after by Juvenile Employment Committees and After-Care Committees. Children who proceed to secondary schools receive maintenance grants, free books and library facilities, and free sports equipment; and their examination fees are paid. In many schools they are helped to a suitable occupation by Careers Masters. If they desire further part-time education for cultural or professional purposes, they can usually obtain it at evening schools for a nominal fee. For those who are fitted for the university large numbers of free places and scholarships are now available. All these opportunities, facilities, and services are accepted by the children as rights and taken by the parents as a matter of course.

The system which makes such wide provision for child welfare at public expense is based on the unchallengeable principle that the future of the State depends on the quality of its citizens, which in turn depends to a very large extent on the training of the young. From the point of view of the State it is essential that every potential citizen should be given the opportunity to make the most of his abilities and so to contribute as much as possible to the common stock; and it follows that the economic circumstances of the parents must not be allowed to come between the child and his opportunity. In the main this policy has achieved impressive results. But it has its drawbacks.

Those who are old enough to remember the time when educational opportunities were more restricted will, I think, agree that the system of widely extended free education, as at present administered, has the effect of putting too much emphasis on the individual's rights and not enough on his duties. It encourages him to fall back on the guidance and assistance of others at every turn. It makes for the loss of healthy independence and weakens the sense of responsibility

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in both parents and children. A parent of the last generation whose children were at an elementary school would have generally considered it a point of respectability to send them for any ordinary illness to a private doctor ; similarly, when they were old enough to enter a trade or business, he would have expected to pay for the necessary training. A parent in similar circumstances to-day sends his children as a matter of course to a hospital or clinic for free treatment, and is not very ready to pay for their apprenticeship or special training when they leave school. Again, the boy of an earlier time had to use his initiative to obtain the means of advanced education or the desired opening in life. The boy of to-day too often waits for someone to tell him what to do and how to do it ; and if public assistance is not forthcoming, he turns aside from the career he fancied and chooses an easier path.

We are witnessing, of course, an important shift of responsibility from the parent to the State. Much that the parent once did for his children he is no longer called upon to do ; on the contrary, he is now encouraged to hand over all sorts of duties to public officials who provide expert service and relieve him of all further worry. In so far as the child's immediate welfare is concerned there is indeed an obvious advantage in the present arrangement, for if education and health services are provided free, the public authority can insist that he receives the benefit of them in spite of possible parental neglect. But we have not hitherto sufficiently considered other less desirable effects on the child. Nor have we thought enough about the consequences of the weakening of parental responsibility.

From the point of view of national character there would be a good deal to be said for adopting an entirely different social policy, one which involved raising wages and salaries

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to a level at which all parents could pay, partially if not fully, for the services they now receive free. We should then be less likely to take for granted what we are given at the expense of the community at large. For it is what we pay for or obtain by effort that we tend to value most. The Marxist would no doubt tell us that this is a deplorable aberration due to the conditions of bourgeois society. I prefer to believe that it is a fundamental fact of human nature.

Actually, of course, there is no likelihood of such a reversal of educational policy. We have gone too far along the present road to turn back. We must, therefore, reconcile ourselves to the continuance of present methods, and we must face the fact that, unless counteracting measures are taken, the moral fibre of the nation will be progressively weakened. For, consider what the attitude and outlook of the child will be when he is submitted to the perfected system of educational and social measures to which we look forward in the future. He will be encouraged on every hand to regard himself as a person of considerable importance on whom money will be freely spent and services lavished in return for the minimum of initiative on his part. His physical condition will be under constant supervision, and any defects will be at once rectified in public institutions. For his athletic activities running tracks, gymnasia, and swimming baths will be easily accessible. If he has intellectual ability he will be automatically sent to the best grade of school. If he has any special aptitude in the arts or sciences it will be given full scope, and all the necessary apparatus will be ready to hand. On the plea that he must be educated for leisure his free time will be organized for him, and he will not be called upon to find an occupation for himself. In the holidays he will be able to take part in

a school camp, a cruise, or a Continental tour (and, incidentally, his parents will be able to shift one more responsibility on to the complaisant schoolmaster). If he shows a bent towards engineering, or architecture, or music, the way to training and entry to the profession will be made smooth, if necessary by scholarship or grant. In short, he will receive everything for the asking at the hands of teachers and officials whose only task is to serve him ; and his highest virtue will be passive receptivity.

Now the person who has been taught to believe that a beneficent public authority is ready and anxious to give him everything he wants as soon as he shows the need of it is not likely to make an ideal citizen. Least of all will he make an ideal citizen of a democratic State. Free institutions cannot work successfully unless there is within the nation a sufficient proportion of men and women displaying initiative, a sense of political responsibility, and a readiness to serve. Democracy requires, in fact, in its citizens those very qualities which the educational and social system in its present tendency does least to cultivate.

Thus, if the schools are to do their duty to the State which provides them, they must accept a clear and urgent mission. They must see that the obvious virtues of the system of universal free education are not nullified by its inherent vices ; in other words, that the boys and girls turned out are not only well equipped physically and mentally but are called upon to exercise the moral qualities essential to citizens of a self-governing community. It must remain the task of the teachers and education authorities to put before the children all the facilities and opportunities available at public expense, but they must at the same time make the pupils realize that these privileges are to be regarded not as rights to be accepted as a matter



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of course but as the means whereby the individual may equip himself for service to society.

I cannot here deal at length with the subject of education for democratic citizenship in the economic conditions as we conceive them in the future. I have said enough, I hope, to show the crucial importance of the matter. The maintenance of efficient government in a free society will depend on our ability to counteract tendencies becoming increasingly powerful as the movement towards a socialized economy proceeds. Thus the schools are being called upon to perform what is in fact an essential political task ; and it is one which is very difficult, since those who undertake it have to steer carefully between the method of positive indoctrination characteristic of the totalitarian State and the negative, go-as-you-please attitude to political problems that has for too long been thought necessary in a democracy. The growing generation must be made conscious of their duties as potential citizens of a free community, and they must be given the kind of knowledge (hitherto largely neglected) to help them to discharge those duties intelligently. While definite instruction will be important, more is likely to be achieved by creating a school community demanding of its members both initiative and service, and so fostering the qualities required in a democratic society. For adolescents in the years immediately after school life the Youth Movement, now being developed, will have an important part to play.

But what of adult citizens ? How can they be preserved from the moral deterioration that may result from conditions of material ease and comprehensive State tutelage ? They also should be brought as far as possible under educational influences to stimulate their interest in the problems and duties of citizenship ; and this means a great expansion

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of effort in the field of adult education. But so long as work remains the dominant factor in their lives it is inevitable that the conditions of that work should play an essential part in forming their outlook. The problem here is to secure that what was valuable in the spirit of free business enterprise shall not be lost in the new atmosphere of bureaucratic security. How can workers in socialized industry be made to feel that they are not merely inconsiderable units in a vast impersonal organization but that they are given scope to exert their particular abilities effectively? How can the motive of personal advancement which plays such an important part in competitive business be turned to public benefit in conditions where the traditional prizes will not be equally available? If the old spurs to energy are discarded, what substitutes can be found?

One answer to these questions that will certainly be put forward is that we must introduce "industrial democracy": the management of a particular industry and a particular unit of industry must be supplied by, and be responsible to, the whole body of the workers in it. In this way, it is said, the individual employee will feel that he has a definite part to play in the enterprise, and that he has a personal responsibility for its success. It is argued that self-government in industry is the necessary complement of political self-government; it is absurd to grant citizens political liberty and at the same time expect them to work under despotisms in the factory and the office; it is absurd to expect men and women to display political competence so long as their working life is passed under conditions of mere submission to a superior will. This was the doctrine underlying the plans for workers' control of industry put forward by the Guild Socialists. We were given impressive schemes in which bodies of workers—all keen and politic-

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ally-minded—were to take over the running of industrial plant, use the familiar methods of democratic election to appoint managers and foremen, and by means of a representative Works Council to direct policy and manage production.

No doubt, if such an ideal of industrial democracy could be realized, we should reach the final solution of the problem we have been discussing. Yet, when we consider the highly technical nature of modern industry and the unpolitical nature of so many of those engaged in it, a scheme of this kind has an air of unreality. I cannot imagine anyone with direct experience of commercial or industrial management taking it very seriously. It is worth while inquiring, indeed, why so many business leaders who are wholeheartedly in favour of democratic political methods would yet never allow the affairs of their firms to be settled by similar methods. To the Marxist, of course, the explanation is simple: the business leaders are willing to concede the shadow of political power to the workers so long as they themselves retain the substance of economic power. But this is certainly not the whole explanation. Many of the men I am referring to are far more concerned with the efficiency of their enterprises than with the assertion of their personal power. They know that the management of any big undertaking—whether in private or in public hands—has to do mainly with extremely technical matters requiring special ability and experience in those who handle them, and they realize that to allow managerial decisions concerning policy or personnel to be entirely determined by mass-voting would be to court disaster. But why, it may be asked, are they not equally afraid that mass political voting will bring the State to ruin? The answer—although many good democrats prefer to ignore it—is simply that in the

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political sphere the citizen's direct power is so limited that he cannot interfere too much in matters that are too high for him. He chooses a representative every five years, or less, and expresses his will on one or two broad issues; and thereafter the highly complicated business of government is carried on by Parliamentary leaders acting through the permanently established and very expert Civil Service. The democratic electorate does not and could not manage the affairs of the nation in any way comparable to that in which the advocates of industrial democracy expect the whole body of workers to manage an industry. Thus the argument that we must allow the citizen of a democracy to do in the industrial field what he already does in the political sphere leads to the opposite conclusion to that which its authors intend.

The fact is that the principle of universal suffrage, in so far as it implies the possibility of continuous active participation by all the citizens in the control of affairs, rests on a fallacy. It depends on the unfounded supposition that all or the great majority of citizens have a genuine desire to assist in managing the business of the community—a desire sufficiently strong to make them continuously active. (The question of ability is important, but it may be left out of account for the moment.) That a great body of the population have not, and are never likely to have, more than a lukewarm interest in political matters needs no demonstration. A frank recognition of this fact would lead to important political reforms into which I cannot enter here.<sup>1</sup> But it is often plausibly urged that even though the common man is frequently uninterested in political issues, which seem remote from him, he will necessarily

<sup>1</sup> I have dealt with this matter in *The Defence of Freedom* (Macmillan). The problem has also been courageously tackled by S. de Madariaga in *Anarchy or Hierarchy* (Allen and Unwin, 1937).

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have a direct interest in the management of the trade, business, or profession which gives him his bread and butter. Again, however, the supposition does not square with the facts. There is a large proportion of people in all walks of life who do not want to be bothered with questions of general policy or business management, and so long as their personal position is reasonably comfortable they cannot be brought to give their attention to them: they are content to do their particular job, whether of routine or of specialized nature, and to leave questions of control to others. It is not a matter of intelligence or education or social status: some people are the managing sort and others are not.

This being so, the principle of industrial democracy is not likely to justify the extravagant hopes that used to be pinned to it by the Guild Socialists. However attractive may be the ideal of an industry organized so that the control is in the hands of the whole body of workers in active participation, we must regard it as an ideal impossible of anything like full realization in practice.

At the same time, however, it will be essential in the new order to allow the fullest scope to the limited number of those in every industry and profession who definitely desire to take an active part in management and in the determination of working methods. Everything possible must be done to provide outlets for originality, energy, and organizing ability; and ambition must also be given suitable opportunities. Otherwise, as we have said, those desirable qualities of character that were developed in the system of free enterprise will be weakened or lost. It is clear that the organization of trade unions and professional associations should be strengthened and the scope of their activities extended as far as possible. In the new public

## CHANGE IN SOCIAL TYPES

corporations the general body of employees should be strongly represented on the boards of management and should play their part in settling policy. In all industrial and public service units there should be standing representative committees empowered to deal with any matters that can reasonably be brought within their competence, particularly, of course, matters affecting working conditions. Such committees would act as permanent organs of conciliation in disputes. They might also be given power to deal with promotions to the lower supervisory positions in which personal qualities count for more than technical knowledge, and also to review the appointment of the managerial staff in order to prevent jobbery and nepotism.

The conception of democracy includes various ideas ; and the most fruitful of them is, I think, that of equality of treatment. Every individual, no matter what his abilities or his position in life, has the right to the same consideration as any other individual, and he should have equal access to all the opportunities of which he is capable of availing himself. So long as the workers in publicly controlled organizations can be sure of such equality of treatment it will not matter to them that general policy and technical control must be ordered from above. (In our scheme the final determination of policy in a national industry or service will come from the National Economic Council ; it follows that the local units will lose their autonomy to the extent of fitting into a general plan.) But the equality must be real. It must be made genuinely possible for every man or woman to rise as high as his or her abilities warrant ; there must be unfettered opportunity for those who are keen and ambitious to reach a position in which they can fully exercise their powers. This means, of course, the demolition of the existing barriers of class.

## SOCIAL RECONSTRUCTION

There must be an end of the tradition that certain positions can be adequately filled only by the products of certain schools and universities, or must be reserved for the sons or relatives of the present holders. But, more than this, it must be recognized that the aim of industrial enterprise is not merely to achieve the maximum technical efficiency but to provide worthy opportunities for human energy and skill.

We are thus brought back once more to the conception that non-economic aims must be given the supremacy. Millions of workers in past generations have had to submit to deadening routine amid intolerable conditions which they were powerless to change, and all because the final purpose of industry was thought to be maximum production and maximum profits. It is possible to order our working lives so as to assist rather than cramp the development of mind and character. We shall do so when we have reached the full realization that quantity of goods is of less account than quality of life.

## EPILOGUE : THE BEVERIDGE REPORT

OWING to war-time difficulties this book was not published until nearly six months after the Beveridge Report, although it had been written and set up in type a considerable time before ; and thus no reference was made in it to that historic document. The call for a second printing, however, makes it possible to rectify this omission.

In Chapter VIII, after discussing low wages and large families as factors in the problem of poverty, we saw that, even if these factors were eliminated by appropriate measures, the poorer classes would always be liable to be reduced to poverty by sickness, disablement, or prolonged unemployment. As a means of securing to every citizen a basic minimum of subsistence in all circumstances of life, I suggested a scheme for distributing equal and adequate rations to all—a scheme which had the defect of being a rather violent innovation and full of practical difficulties. Meanwhile Sir William Beveridge has given us a detailed and comprehensive plan for achieving the same end by the method of cash payments based on an extension of the familiar principles of social insurance, the cost to be met partly by compulsory contributions from employers and employees and partly by taxation.

It is possible only to indicate the most important of Sir William Beveridge's proposals. He provides for a generous scheme of children's allowances as an essential weapon in the attack on poverty. There will be a guaranteed income, higher than at present, for all normally employed persons in sickness, disablement, and unemployment ; disability and unemployment benefit will be without means test and



## SOCIAL RECONSTRUCTION

of unlimited duration ; and "training" benefit will be available for the victims of chronic unemployment. Independent workers and others who are not normal employees will receive incomes in sickness or disability. Housewives are recognized as a distinct class of occupied persons with benefits adjusted to their special needs ; maternity grant and maternity benefit for those at work will be provided. Retiring pensions at a subsistence level will be given to all, and grants will be made for funeral expenses. The plan also assumes the establishment of a comprehensive medical service ensuring to every citizen whatever medical treatment he requires.

When the Beveridge plan is studied both as a whole and in detail its epoch-making character becomes apparent. If it were given legislative sanction substantially as it stands we should make by far the greatest social advance of modern times. Present indications are, however, that influential elements in Parliament and outside will try to intimidate us with the obstacle of finance. We are being told that circumstances after the war may be such that we "cannot afford" such a grandiose scheme. If we would only stop thinking in terms of the book-keeping involved in nicely balanced budgets, we should see that this obstacle is illusory. The question is how much real wealth—in goods and services—we shall be in a position to create after the war. There is no reason to suppose that our capacity to produce will be any less when the change-over to peace-time conditions has been made than it was in 1938 ; as a result of the technical improvements made during the war it will in fact no doubt be greater. What we have to ask ourselves, then, is whether, out of the common pool of wealth, we really want those in greatest need to be served first. If we do, we shall distribute incomes accordingly. The Beveridge

## EPILOGUE: THE BEVERIDGE REPORT

plan is in effect nothing more than a method of redistributing income—of transferring income from the employed to the unemployed, from the young to the old, from the childless to parents, from the healthy to the sick, and from the rich to the poor.

The reluctance of important members of the Government to commit themselves unequivocally to the acceptance of the Report as a whole is likely to produce a campaign of passionate advocacy on the part of its supporters. The result of this might well be to put the matter in a false perspective, and to create in the public mind the notion that this scheme is by itself a social panacea. Sir William Beveridge himself is careful to disclaim any such character for his plan. He points out that it is an attack on Want; and Want is only one of the five giants on the road to reconstruction. The others are Disease, Ignorance, Squalor and Idleness. I would add that, even as an attack on Want, it is not calculated to produce results with which we could be indefinitely satisfied. It does not deal with the problem of excessively low wages, except in so far as this is affected by family allowances. Given payments for children, the thousands of workers employed in underpaid jobs will, of course, be raised above the poverty line; but their standard of life will still be deplorably low.

Finally, it is one of the basic assumptions of the Report that we must avoid the onset of mass-unemployment if the financial provisions of the plan are to be practicable. The problem of how to secure and maintain something approaching the full employment of the population in the difficult years ahead falls outside the scope of the Report. But, as its author warns us, we must keep this crucial problem steadily in mind. I have called Unemployment "the supreme social evil": it is so not only because it means

## SOCIAL RECONSTRUCTION

the loss of production which would provide for expanded social services, but also because, in its corroding effect on human character, it is an even worse evil than poverty itself. It behoves us, therefore, not to be lured by promises of social security into neglecting preparations for the campaign against Idleness, the most formidable of the giants that will confront us in the post-war period.

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